Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	Sh3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1500	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$1.25	Switz	SFr2.20
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	[illegible]	Thailand	Bht50
Germany	DM2.20	Mexico	[illegible]	Tunisia	Din0.800
Greece	Dr100	Morocco	[illegible]	Turkey	L500
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	NKr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,432 — Friday January 8 1988 — D 8523 A

Fiat and Florence: changing the face of a city, Page 2

World News

Nigeria and UK differ over S. Africa

Wide differences between Nigeria and the UK over South Africa were publicly highlighted at a ceremony in Lagos marking the arrival of Mrs Margaret Thatcher, Britain's Prime Minister.

Mrs Thatcher set out in a banquet speech her uncompromising stand against anti-South African sanctions, while President Babangida emphasised "the strength of feeling which exists in Africa on the question of apartheid." Page 14

Palestinian activists call for disobedience

Palestinian leaders in Arab east Jerusalem launched a campaign of civil disobedience in the occupied West Bank and Gaza Strip, beginning with a boycott of Israeli cigarettes. Page 3

Meanwhile, severe clashes were reported in the Gaza Strip. Several Palestinians were wounded by gunfire when Israeli troops conducted house-to-house searches and stormed a mosque. The army barred journalists from the main refugee camps in the territory.

Chemical arms 'risk'

A Soviet arms control official said the US risked stoking the arms race by resuming chemical weapons production and warned that Moscow might take unspecified measures in response.

Warship ultimatum

Britain and France were given until the end of February to decide whether to join six other countries in continuing a Nato frigate project or to drop out of the scheme to develop the alliance's first common ship. Page 2

Steelworkers protest

About 1,000 West German steelworkers walked out of the Krupp mill in Rheinhausen after learning that a senior manager had told a newspaper their plant was bound to close.

Shell sues Dutch town

The Royal Dutch/Shell oil group filed a civil action suit against the municipality of Hilversum, a town near Amsterdam, that was boycotting its products because of the company's presence in South Africa.

Sandinistas accused

Nicaraguan rebels said the Sandinista Government had failed to comply with a regional peace plan and accused it of continuing human rights violations.

S. African killings

Four blacks, including a 14-year-old boy, were killed and at least seven buildings set on fire in a township near Pietermaritzburg, South Africa.

Khomeini ruling

The Iranian Government had sweeping powers and could even suspend some religious regulations in the interests of the state, Ayatollah Khomeini ruled. Syrian ceasefire move, Page 3

Activists freed

Pakistan authorities ordered the release of more than 50 political activists jailed during ethnic violence in Sind province in which about 350 people were killed.

Price rises rescinded

President Lansana Conte of Guinea issued a decree cancelling price rises on essential commodities after students ransacked markets in protest against prices which had doubled almost overnight.

Eagle downs airliner

An Ethiopian Airlines Boeing 727 airliner made an emergency landing in Khartoum after an eagle crashed through the aircraft's fuselage and entered the cockpit, breaking a control pedal and one of the co-pilot's legs.

Trevor Howard dies

British actor Trevor Howard, 71, famous for his roles in films such as "The Third Man," "Mutiny on the Bounty," and "Odette," died after a short illness.

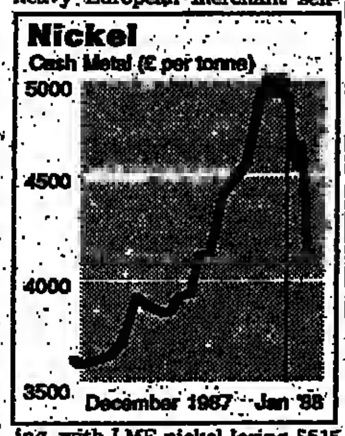
Business Summary

Dollar slips amid doubts over Tokyo intervention

DOLLAR weakened in directionless and confused world currency markets after contradictory reports overnight on Bank of Japan policy on intervention and target zones for the dollar against the yen. In London, it closed at DM1.6385 (DM1.6495); FFr5.5400 (FFr5.5775); SFr1.3375 (SFr1.3460); Y128.50 (Y129.70). Currencies, Page 23

STERLING closed in London at $1.8160 ($1.8050); DM2.9750 (DM2.9775); FFr10.06 (FFr10.075); SFr2.4290 (SFr2.4300); Y233.25 (Y234.6). Page 23

NICKEL prices fell sharply on the London Metal Exchange on heavy European merchant selling, with LME nickel losing $515 a tonne to close at $4,160 ($7,513). Page 22



LONDON equities remained relatively confident despite the renewed decline in the dollar and a lower opening on Wall Street. After an early rise, the FT-SE 100 index closed up just 0.1 points at 1,787.2 in thin trading. Page 30

WALL STREET: The Dow Jones industrial average at 2pm was 2,026.19, down 11.61. Page 34

TOKYO: Continuing Wednesday's strong advance, the market started firmly, with buying centred on high-technology stocks, but prices fell back and the Nikkei average closed only 1.63 higher at 22,792.13. Page 34

US RETAIL sales rose in December, suggesting that the October stock market crash made only a small dent in Christmas shopping. Page 15; Lex, Page 14

UK CLOTHING manufacturer and retailer the Burton Group, has sold its three remaining production plants to concentrate on retailing. Page 15

TOURISM in Portugal boomed last year, largely due to a growing influx of British and Spanish visitors, bringing in revenue of Esc293bn ($2bn), a 25 per cent increase over 1986. Page 2

UK new car sales passed the 2m level for the first time in 1987, with domestic production up 12 per cent to around 1.15m units and exports up 20 per cent. Pages 8 and 9

QUEBEC PROVINCE, Canada's largest hydroelectric producer, is to supply 1,000MW of electricity to New York State over 21 years starting in 1995, worth up to C$17bn (US$13.2bn).

A CONSORTIUM of American company FMC and Ankara concern Nurol Insaat has won a contract worth around TL1,000m ($1bn) to manufacture amphibious armoured infantry fighting vehicles for the Turkish Armed Forces. Page 4

TOTAL, French oil group, has signed a new four-year industrial co-operation pact worth up to FFr250m ($44.8m) with the Indian Oil and Natural Gas Commission to assist India explore and develop its hydrocarbon resources. Page 4

FERNANDO MILLIET, who resigned as president of Brazil's Central Bank on Tuesday, accepted a call from new Finance Minister, Mailson da Nobrega, to continue in the post.

A CONSORTIUM of French construction companies including Sogea and Colas has won a FFr2.2bn ($394m) contract to build the second part of the extension of the international airport at Jakarta in Indonesia.

PORTUGAL swapped 20 per cent of its dollar reserves and 20 per cent of its gold reserves for Ecu1.7bn ($1.4bn)

Moscow 'could begin leaving Afghanistan by May'

SOVIET TROOPS could begin pulling out of Afghanistan as early as May, a senior Soviet Foreign Ministry official in Moscow said yesterday, write Catherine McElhinney in Moscow and Stewart Fleming in Washington.

Mr Yuri Alexeyev, deputy head of the Soviet Foreign Ministry's Near East department, said Russian troops would leave 60 days after a peace agreement was signed. This time last year, the Soviets were still talking about needing four years to get their troops out.

In Washington, the US gave a cautious welcome to the latest signs that Moscow may be moving more decisively towards withdrawal.

The Soviet and US comments follow feverish military diplomatic activity in advance of next month's Geneva peace talks, with Moscow becoming increasingly open about its anxiety to leave Afghanistan quickly.

But Mr George Shultz, the Secretary of State, said the US was looking not only for a firm schedule of withdrawal but also for a withdrawal process which must be "front-end loaded."

This means strategically placed troops and equipment must be withdrawn in the first phase and that withdrawal is such that "once started there is a certain inevitability to it, there is no turning back."

The Soviet Union has been signalling this week that it now believes a full peace agreement will be initialled at the next round of UN-sponsored peace talks in Geneva next month. If such an agreement were reached, the 115,000 Soviet troops currently occupying Afghanistan could be on their way home in May.

Key issues to be resolved in Geneva include the number of men and the amount and status of equipment to leave in the key first stage of the withdrawal and how long that first stage should last.

"The point at issue is months, not years," said Mr Alexeyev, further underlining the impression that Moscow is now in a hurry to leave.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr Michael Armacost, US Under Secretary of State, have been in the region this week trying to smooth the path towards withdrawal.

Mr Alexeyev also revealed that the US and the Soviet Union were close to detailed agreement on plans for the US and the Soviet Union to act as joint guarantors of the peace plan. Both sides would undertake not to interfere in the affairs of Afghanistan.

This appears to suggest that the two may be close to resolving their disagreement over both US arms supplies to the Mujahideen guerrillas and the form of interim government Moscow would leave behind. Mr Shevard-

Continued on Page 14

Bonn to cut federal borrowing after sharp rise in deficit

BY DAVID MARSH IN BONN AND ANDREW FISHER IN FRANKFURT

THE WEST GERMAN coalition Government yesterday decided to cut federal borrowing by at least DM10bn ($6.1bn) next year through a mixture of increases in consumer taxes and cuts in budget spending.

The move comes in reaction to a much sharper than planned increase in the federal deficit this year to an expected DM40bn, compared with DM29.5bn set down in the 1988 budget approved by parliament at the end of last year.

The tightening of fiscal policy now planned for 1989 runs completely counter to persistent calls at home and abroad for West Germany to cut taxes next year in order to bolster sluggish economic growth.

"There is no room for further tax cuts (in 1989)", Mr Gerhard Stoltenberg, the Finance Minister, said after yesterday's cabinet meeting.

At the same time the Bundesbank in Frankfurt announced action to rein in banking liquidity through a DM6bn cut in banks' rediscount quotas, effective February 1. The move, which will cut the amounts banks can borrow from the central bank at the 2.5 per cent discount rate, came in response to big increases in liquidity through currency inflows.

The Bundesbank said the decision did not imply any change in its basic monetary stance. But it underlines how the central bank is reacting cautiously to ward off possible inflationary dangers from DM25bn in currency inflows since October, accompanying the latest rise of the D-Mark.

Yesterday's cabinet decision on the deficit underlines how West German fiscal policies have been severely blown off course by the fall of the dollar and the weakening economy.

The admission by Mr Stoltenberg that the 1988 deficit will be much larger than expected is likely to expose him to a fresh wave of criticism at home from both Left and Right over the consequences of rising public borrowing.

It casts a considerable question mark over whether the Government will be able to go ahead with promised net tax cuts of DM20 bn in 1990, conceived as a fundamental part of its economic strategy.

The immediate causes of the jump in the 1988 deficit are higher contributions to the EC and the near-disappearance of 1987 profits from the Bundesbank, due to be paid over to Bonn this year. The Bundesbank profit will fall to "near zero" from the DM6bn which had been inscribed into the 1988 budget, the Finance Minister said.

This is because the central bank will have to write off DM6.5bn to DM7bn on the D-Mark value of its foreign exchange reserves. This is a consequence of the sharp fall in the dollar to DM1.5815 at the end of last year, the value the Bundesbank will use for its 1987 accounts.

This year's federal deficit is also being driven up by DM14bn of tax cuts which came into effect at the beginning of the year. Additionally, tax revenues have fallen well below earlier projected levels.

Analysis, Page 2

Wall St crash report goes to Reagan today

BY JANET BUSH IN NEW YORK

THE BRADY Commission, the task force set up by the White House to examine last October's stock market crash, will present its findings today to President Ronald Reagan amid fierce press speculation about its recommendations.

Mr Marlin Fitzwater, the White House spokesman, said yesterday that the report would not be published until after the equity market closed because it contained market sensitive information.

He faced a barrage of questions at the regular White House briefing because various newspaper articles have offered contradictory views on what the report contains.

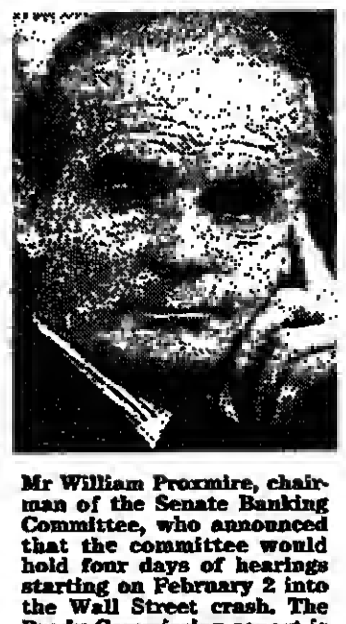
He refused to comment on the accuracy of an article in the Wall Street Journal yesterday, apparently based on a leaked version of the Commission's findings, which suggested it would contain wide-ranging and radical proposals.

These included, according to the article, a central role for the US Federal Reserve in supervising a restructured regulatory body which would have jurisdiction over all financial markets.

Other recommendations, it added, would include setting daily limits on price movements in all types of securities; a plan to halt trading across markets whenever those limits were reached; setting consistent margin or credit requirements for the purchase of all securites; and the creation of a unified system of clearing and settling trades.

However, an impression emerged yesterday that the Wall Street Journal report had been based on an earlier version of the Commission's findings and that the final recommendations would be more moderate.

On a day of confusion, which seems to have pre-empted efforts by the Administration to be sensitive to any reaction in financial markets, the Los Angeles Times reported that the Brady Commission would recommend only minor changes to securities market regulations.



Mr William Proxmire, chairman of the Senate Banking Committee, who announced that the committee would hold four days of hearings starting on February 2 into the Wall Street crash. The Brady Commission report is one of several studies which will provide the framework for the Senate investigation. Witnesses scheduled to testify include Mr David Ruder, chairman of the Securities and Exchange Commission, which is due to publish its report on the crash later this month. Mr Alan Greenspan, Chairman of the Federal Reserve, and senior officials from other major exchanges are also to testify.

Mr Fitzwater admitted that there did appear to be a disparity between the two newspaper reports.

But officials at the White House and the Brady Commission were tight-lipped about the speculation.

The White House said that the Administration would not make any immediate policy recommendations in response to the Brady report.

Mexican debt swap guide hints at 40% discount

By David Gardner in Mexico City

MEXICO'S financial authorities appear to be fixing a 40 per cent discount as the benchmark for the auction of existing commercial bank debt for new bonds, which are to be issued under the US Treasury-backed debt swap scheme announced last week.

Mr Gustavo Petricioli, Finance Minister, said at a press conference on Wednesday that Mexico did not want to reveal its threshold discount figure for the debt swap. "If we give a figure, no bank is going to want to offer us anything below that figure," he said.

Nonetheless, the Treasury has issued a guide to the complex scheme, partly to offset the confusion it created in its own confused response to the leaking of the plan in Washington lastweek.

This guide uses an average 40 per cent mark down of the value of the existing debt to be exchanged by the bank which participates. This represents a higher value for the debt than the valuation of Mexican paper in the secondary debt market, where it currently trades at about 52 cents on the dollar, or little more than half face value.

Mr Petricioli described the lower valuation as "in truth, not really significant," and the secondary market as "very limited, very small, and very insignificant."

This admission is startling in view of the recent line of Mexican debt policy which essentially has argued that its foreign borrowings should be revalued in line with the secondary market, with the whole of the discount reverting to the debtor.

If the swap into the new 20-year bonds, collateralised by Mexico's holdings of special US government securities, is completed at the average discount in its guide, the Finance Ministry calculates a de facto write-off of $6.7bn of what it says is now a total $102bn foreign debt, an interest payments saving averaging $550m a year in the first seven years of the 20 year scheme.

The Finance Ministry model assumes Mexico will spend $1.87bn from its reserves to buy a zero-coupon, 20 year bond from the US Treasury, then issue up to $10bn of its own bonds – the value of the US bonds on maturity – in exchange for an estimated $16.7bn of existing bank borrowing.

Mr Petricioli on Wednesday insisted that Mexican currency reserves were considerably above the $11bn figure widely circulated in the leaked version of the scheme last week. Senior officials say privately that reserves now stand at between $13.5 and $14bn, down from $14.6bn on September 1, the last time the figure was released publicly.

Bank of England warns interest rates may rise

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE BANK of England hinted yesterday that Britain's interest rates may have to rise if the economy continues to expand at its recent buoyant pace.

Mr Robin Leigh-Pemberton, the Bank's governor, said that the latest indicators suggested that the economy had been growing at an "unsustainably rapid" rate ahead of October's stock markets' crash.

It was still difficult to guage the deflationary impact on growth of the subsequent turbulence on financial markets, but the evidence to date suggested that demand in the economy remained buoyant. That underlined the need for caution and steadiness in the authorities' approach to economic policy, he said.

The Governor's speech, to the Dundee and Tayside Chamber of Commerce, appeared to signal the Bank's concern that the Government strikes a cautious balance between cuts in income taxes and reductions in public borrowing in its March Budget.

Consumer spending, already rising strongly, was unlikely to slow significantly while earnings were rising much faster than inflation. At the same time, rises in demand in other major economies was likely to slip further behind growth in demand in Britain, he said.

In the weeks following the share price collapse, the Bank engineered a 1.5 percentage point fall in base rates to 8.5 per cent in a move to restore confidence in the markets. The three half-point cuts were further justified by sterling's gains against the falling dollar and its strength against the D-Mark.

Mr Leigh-Pemberton avoided any direct reference to the possibility of reversing part of that fall, and said that it was still "very difficult" to judge the extent of the deflationary impact of developments in the financial markets.

The tone of the speech, however, indicated clearly that the focus of the Bank's pre-occupations was gradually switching back to the need to head off any upturn inflation. The references to faster growth in Britain than abroad also pointed to some concern over a further deterioration in Britain's trade position.

"My best judgment at the moment is that the indications of continoed huoyancy in the economy, and the need to prevent a resurgence of domestic inflationary pressures, argue for steadiness in our economic policies," he said.

The Governor emphasised the Bank's determination to be as equally determined in preventing a significant fall in the value of the pound as it had been in preventing an excessive appreciation.

Continued on Page 14

France in bid to strengthen European Monetary System

BY IAN DAVIDSON IN PARIS

MR JACQUES Chirac,the French Prime Minister, yesterday announced an initiative to reform and strengthen the European Monetary System (EMS).

He told a business conference staged by the economic publishing house L'Expansion that his Government was seeking a single European currency and a European central bank.

He was echoing proposals made earlier by Mr Edouard Balladur, the French Finance Minister. "The moment has come," Mr Balladur said, "to examine the possibility of creating a European central bank which would manage a common currency, the Ecu."

France has for some time wanted reform of the EMS, and has previously advocated strengthening both the role of the Ecu and the EMS institutional arrangements.

It now feels the time is ripe to raise the issue with its European partners.

Mr Chirac yesterday argued that the EMS at present operates to France's disadvantage, since it does not impose equal disciplines on all member countries.

He praised the recent monetary co-operation between France and West Germany over concerted reductions in interest rates in recent weeks. But he criticised the Bundesbank's intervention on the foreign exchange market as exclusively concentrated on the DM-dollar rate.

This was not compatible with the spirit of the EMS. "In crisis conditions we support burdens we cannot control. At least the Bundesbank could buy francs. Things cannot continue like this,

Mr Chirac urged Britain to join the exchange rate mechanism of tha EMS, and for Italy (which has wider bands of fluctuation within the EMS) to apply the same currency discipline as the other member states.

Mr Chirac said that, in the medium term, the Group of Seven major industrialised countries should reform the international monetary system on the basis of three principles: a currency standard which was less debatable than the dollar, the establishment of three main monetary poles - the dollar, the yen and the Ecu – and the imposition of a system of sanctions on excessive payments disequilibria.

CONTENTS

EGYPT COMES IN OUT OF THE COLD

President Hosni Mubarak, whose tour of Gulf states marks an end to isolation, Page 14

Soviet official supports greater electoral choice

A SOVIET official indicated in an interview published yesterday that multi-candidate elections should be held even for senior Communist party posts in the Soviet Union and said no party office should be kept "for a lifetime," **AP reports from Prague.**

Mr Nikolai Shishlin, deputy head of the propaganda department of the Soviet Central Committee, made the remarks in an interview published in the Czechoslovak Communist party daily Rude Pravo.

In the interview, Mr Shishlin discussed Soviet experience with multi-candidate elections in some districts at local parliament elections held last year.

This experience was "unequivocally positive," Mr Shishlin said, adding that it is "absolutely necessary" to work on a new law regulating elections to local, regional and national parliaments and also to review party election processes.

Every party organisation has the potential to hold multi-candidate elections, he noted.

"If we speak of elections to party organs, I have in mind not only basic (local) party organisations, but district, city and regional committees and also the Central Committee," he said.

"Not a single function in the party, including the highest ones, must be for a lifetime," he added.

It was believed to be the first time that a ranking Soviet official has said that reforms started under Mr Mikhail Gorbachev's leadership of the Soviet Union might lead to such a change in the party election process.

Soviet party organs working on the Leninist principle of democratic centralism traditionally have had just one candidate for any office and usually elect that person unanimously, mostly on a show of hands rather than by secret ballot.

●Czechoslovakia's Communist leadership yesterday staged elaborate celebrations to mark the 75th birthday of President Gustav Husak, who was replaced as party chief last month.

The official newsagency CTK quoted Mr Milos Jakes, Mr Husak's successor as party leader, as praising Mr Husak's work at a meeting of the Central Committee, parliamentary leaders and the government held to mark Mr Husak's 75th birthday.

Mr Husak, who retained the largely ceremonial office of president in last month's power shuffle, was congratulated by Jakes and other high-ranking Czechoslovak officials and awarded a medal for his work, CTK said.

"Your life is an example of devotion to the cause of the party and people," Mr Jakes was quoted as telling Mr Husak.

Poland to seek softer debt terms

By Christopher Bobinski in Warsaw

POLAND is to press Western creditor governments to soften interest rates on Polish debts and to provide fresh loans.

Mr Andrzej Dorosz, the deputy finance minister, told the government newspaper, Rzeczpospolita, the request would be made in bilateral meetings starting soon. These are designed to complete a framework agreement with Poland's 17 Western government creditors in the Paris Club. The agreements reschedule $9bn which fell due between 1986 and 1988.

The talks will take place as negotiations continue with the International Monetary Fund on a standby credit and with the World Bank on investment loans. The early spring should see the IMF assessing the Polish economy with special reference to signs that the government's much heralded reforms are producing effects.

By then price increases, including higher energy costs, will have been implemented and a favourable report by IMF teams could open the way to a standby loan. However, Mr Dorosz admitted the IMF was still arguing for faster progress on achieving a balance of payments surplus than the Polish government was willing to envisage.

Last year Poland devoted $2bn to debt service payments and a similar amount is budgeted for 1988. The hard currency debt at the end of 1987 stood at $36.3bn.

Progress with the IMF would smooth the way for the World Bank to release between $500m and $600m of loans for investment. The Poles hope this will go for approval before the bank's board in the middle of this year.

The financing would go on improving food processing facilities, maintaining coal output and exports, and export-orientated projects in the power, machine and chemical industries.

● The Finance Ministry, acting under anti-monopoly legislation which came into force on January 1, is to investigate Elpol, a leading electronics grouping supported by Mr Zbigniew Szalajda, a deputy premier. The country's milk processing and marketing organisation, two furniture groupings and the main retail network in the countryside are also to be investigated.

Chirac side-steps immigration row

BY PAUL BETTS IN PARIS

MR JACQUES Chirac's conservative government yesterday side-stepped the controversy over plans to tighten France's nationality laws with the publication of an anodyne report by a commission of wise men.

Under pressure from the extreme right-wing National Front party of Mr Jean-Marie Le Pen, Mr Chirac imprudently committed his neo-Gaullist RPR party to tighten the nationality laws in the campaign for the 1986 legislative elections.

But the issue backfired when Mr Chirac became prime minister. After a big political row, Mr Chirac last year shelved his plans and asked the commission to draw up new proposals.

After months of consultations and – for the first time in France – televised hearings, the commission has proposed tightening procedures in some instances but in many other cases has made far more liberal suggestions.

Under the proposals it would take longer to gain French nationality through marriage. But other procedures would be accelerated to allow children of immigrants born in France to gain French nationality at 16.

Although the report is expected to revive the debate on nationality and immigration in France, no legislative action will be taken before the presidential election in the spring.

The same applies to other key social issues: the reform of French universities, schools, and social security systems. These are all the subject of independent reviews commissioned by the government.

Mr Jacques Valade, the minister for higher education, yesterday unveiled the conclusions of a long report on the future of the troubled French university system commissioned after the student riots of 1986.

Mr Valade endorsed the report and emphasised the need to overhaul the university system and create a new university college concept for first and second year students.

His proposals come barely a month after Mr Rene Monory, the education minister, unveiled an ambitious FFr 28bn seven year plan to reform secondary education. This has already provoked considerable debate and the irritation of the finance ministry.

The government has now asked the Social and Economic Council to analyse the dire structural problems facing the French social security system.

But in all these cases, no legislative action will be taken before the presidential election with Mr Chirac anxious to avoid the risk of another damaging political storm. However, the abundance of government commissions and reports also reflects Mr Chirac's efforts to demonstrate his commitment to key social problems without unnecessarily risking his presidential election campaign.

Prague Spring leaders back Gorbachev reforms

BY JUDY DEMPSEY IN VIENNA

A GROUP of Czech Communists prominent during the "Prague Spring" – the movement which attempted to reform the Communist system in 1968 – have signed a statement saying that Mr Mikhail Gorbachev's reforms in the Soviet Union can be compared to those in Czechoslovakia 20 years ago.

The 43 signatories include Mr Jiri Hajek, the former Foreign Minister, Mr Vladimir Kadlec, the former Education Minister, and Mr Venek Silhan, who was deputy to Mr Alexander Dubcek, the reforming leader ousted after the Soviet invasion in August 1968.

The statement comes amid a sharp and defensive debate in the official Czechoslovak media about the 1968 reforms. On Monday Rude Pravo, the Communist party daily, said the 1968 leaders wished to do away with the socialist system and dismissed any notion that the 1968 reforms could be compared to the current Soviet ones.

The authors, who for the past 20 years have been excluded from all political life, call for the ending of "measures of repression and discrimination against the leaders of the Prague Spring" as well as an end to the political and economic stagnation which they say has prevailed in Czechoslovakia for two decades.

The policy of "normalisation" imposed by the new Czechoslovak leadership after 1968, had been only a Czechoslovak variant of the policy of stagnation that prevailed under the former Soviet leader, Mr Leonid Brezhnev, the statement says.

Honecker begins visit to France

MR ERICH HONECKER began a state visit to France yesterday, the first by an East German head of state to one of the three powers that officially govern West Berlin, **Reuter reports from Paris.**

The trip marks new progress in Mr Honecker's diplomatic drive for international legitimacy. It also coincides with concern in the West that his latest nuclear arms control proposal, made four days ago, is aimed at isolating West Germany and dividing Nato. The proposal calls for the removal of missiles with ranges of less than 500 km.

Mr Honecker, 75, welcomed at Orly Airport by President Francois Mitterrand, said: "Contemporary world realities demand increasingly that confrontation be overcome by co-operation...The goal must be to assure peace through a radical reduction of the strategic nuclear arsenal, elimination of chemical weapons and the reduction of armed forces and conventional armaments," he said.

The French Government has said Mr Mitterrand does not intend to discuss the status of Berlin in detail with Mr Honecker, since that was the exclusive prerogative of the allies.

Ozal strengthens hold on Turkey

THE Turkish prime minister, Mr Turgut Ozal, has won the right to outrank four members of the military junta which ruled Turkey from 1980 to 1983 in state protocol, **writes David Barchard in Ankara.**

The change is seen as another sign of Mr Ozal's growing personal power in a ceremony and protocol-conscious society.

ANXIOUS TIMES: Gerhard Stoltenberg checks his watch before the start of yesterday's press conference

Budget overshoot tarnishes Stoltenberg's credibility

A series of mishaps has left W Germany's pillar of financial rectitude severely embarrassed, writes David Marsh

MR GERHARD Stoltenberg, West German Finance Minister since 1982, yesterday brushed aside a call from the opposition for his resignation with a small, dry joke.

He termed it "almost a compliment" that Mr Hans Apel, the former Social Democratic Party (SPD) Finance Minister, had waited five years before calling for him to leave office.

That was the maximum amount of humour Mr Stoltenberg could afford at his press conference yesterday. It was called to explain an embarrassing fact – why the federal budget deficit this year will overshoot by at least DM10bn the DM29.5bn set down in the 1988 budget plans adopted in parliament only six weeks ago.

During the first four years of the centre-right government, Mr Stoltenberg gained a reputation as a pillar of financial rectitude.

Now, after a series of budgetary mishaps and miscalculations, as well as a political scandal in his home state of Schleswig Holstein, Mr Stoltenberg's credibility looks like the Federal Republic's economic growth prospects – distinctly shrivelled.

Mr Stoltenberg has to stomach criticism, both from his own Christian Democratic Union (CDU) and from the left, that public borrowing is rising well beyond the Government's conservatively-set targets.

Mr Stoltenberg is pleading extenuating circumstances in the form of a near wiping-out of profits from the Bundesbank to be paid over this year, and extra funding for the European Community.

But his argument that these factors were unforeseeable ring a little hollow. Bonn officials were admitting well before Christmas that the Government would have to find an extra DM4bn for the EC in 1988. And the likelihood that the dollar would fall sufficiently to cause the Bundesbank to write down its currency reserve holdings should arguably have been a matter for the Finance Ministry's contingency planners several months ago.

Social Democrats like Mr Apel are gleefully making the most of the Finance Minister's discomfort. The right's merciless campaign against the budget deficits of the former government of Mr Helmut Schmidt was one of the factors toppling the SPD-led coalition in 1982. Now the SPD is enjoying getting its own back.

The 1988 budget is formally in breach of article 115 of the Federal Republic's Basic Law or provisional constitution, which limits borrowing to the government's investment spending in any one year. The 1988 deficit will be well above this year's planned DM33.9bn investment.

Mr Stoltenberg yesterday claimed that no more changes in budget arithmetic were in store for this year.

That will however depend on factors over which he has no great control. A weakening economy and a fresh dollar fall would automatically drive up subsidies and unemployment spending, and lower tax revenues. If he has only a little more bad luck, yesterday's jump to DM40bn may not be the last upward revision to the deficit Mr Stoltenberg will have to announce for 1988 – nor his last unpleasant surprise.

Soviet troops are to abandon Kabul, writes Catherine McIlhenney

Moscow set to end Afghan foray

AFTER eight years of futile effort to subdue Afghanistan, the Soviet Union appears to have abandoned hope of imposing a government and is ready to pull its troops out.

Mr Yury Alexeyev, a senior official of the Soviet Foreign Ministry's Near East department, told journalists yesterday there were no Soviet troops in 12 out of the 29 provinces of Afghanistan, Reuter reports from Moscow.

But he declined to give the size of the Soviet force in the country. "It really is a limited contingent," said Mr Alexeyev, using the term that has been consistently applied by Moscow to the force which went into Afghanistan in December 1979.

US officials say Soviet troops number some 115,000 but Mr Alexeyev would not comment on the American estimate.

The Soviet official, speaking at a press conference, said the provinces from which Soviet troops were absent were mainly in the largely mountainous and sparsely populated central area of the country and in the west.

Although the outcome of the Soviet manoeuvering will probably not be known before United Nations mediated negotiations on Afghanistan resume in February, Soviet Foreign Minister Mr Eduard Shevardnadze was clearly optimistic about the result of that next round of talks in Geneva.

Mr Shevardnadze said that "necessary conditions" for withdrawal could be completed soon and that the Soviet Union would like "the year 1988 to be the last year of the stay of Soviet troops in your country."

Mr Shevardnadze's comments appeared on Wednesday night after he returned from two days of talks with pro-Soviet Afghan leader Mr Najibullah in which he apparently emphasised the Kremlin's determination to end its military involvement in Afghanistan.

The key shift from previous Soviet positions was the lack of a direct linkage between a Soviet withdrawal and the formation of an Afghan government acceptable to Moscow. The public statement had been preceded by private Soviet comments that they could foresee a post-withdrawal government that did not include Mr Najibullah.

"It sounds as if they are putting the squeeze on Najibullah," said one Western diplomat. In the diplomat's view, Mr Shevardnadze was telling the Afghan leader that "whether you like it or not we're getting out so you'd better get your act together on reconciliation."

Mr Shevardnadze had pointedly warned against letting ideology or personal ambitions interfere in efforts to end the civil war that has raged since 1978.

His visit to Kabul was part of a flurry of diplomatic activity in advance of the next round of talks in Geneva. US under-secretary of state Michael Armacost was in Islamabad for talks with Pakistani leaders at the same time.

Mr Diego Cordovez, the United Nations special mediator in the talks, is to visit both Afghanistan and Pakistan this month. And a US/Soviet meeting on Afghanistan is also a possibility. While the Geneva talks officially involve Pakistan and Afghanistan, the unofficial involvement of Moscow and Washington is the key.

The latest Soviet position demonstrates the frustration and ineffectiveness of their eight-year struggle to subdue the anti-communist Afghan guerrillas. The Soviet-backed government in Kabul controls little territory outside a handful of urban centres.

Moscow invaded the country in December 1979 to protect the marxist government that seized power in 1978. The coup, which Moscow apparently was not involved in, had precipitated the anti-communist rebellion.

In an acknowledgement that the Soviet Union's position in Afghanistan had not been strengthened by the years of war or the presence of a marxist government in Kabul, Mr Shevardnadze noted that Moscow had enjoyed friendly relations with previous governments, even when it was a kingdom.

Radicals baulk at radical suggestion

BY JOHN WYLES IN ROME

ITALIAN RADICALS were left gloomily pondering yesterday whether theirs was a party without a leader or whether Marco Pannella, their long-standing general who has martialled them to many a famous victory, is now a leader without a party.

By the end of their congress in Bologna late on Wednesday evening, the estrangement between Mr Pannella and his followers was immense. Called upon to embrace his plan to wind up their activities in Italy and to transform themselves into a transnational European party, the rank-and-file adopted a confusing compromise which is neither one thing nor the other.

The congress also refused to drop the party's emblem of a fist holding a rose in favour of Mr Pannella's choice of the face of Mahatma Gandhi.

Such a rupture in other Italian parties might have been accompanied by a joyful crowing of satisfied victors over bitterly resentful vanquished. In the Radicals, the victors were above all deeply concerned about the effect of their repudiation on Mr Pannella.

With a combination of immense energy, political courage and reformist zeal, the 57-year-old former journalist has led them through several successful campaigns, most notably for legalising divorce and abortion, and is held in huge respect and affection.

But most of his efforts over the past two years have been directed either at closing the party down or at taking it into government – alternatives clearly implying a belief that its role as reformist gadfly has been exhausted.

But the membership clearly does not want the party to turn up its toes, and Mr Bettino Craxi, the Socialist party leader, has resisted Mr Pannella's entreaties to force an opening for the Radicals into the governing coalition.

Mr Pannella attacked the motion adopted by the Congress as "vague" and made it clear that as far as he was concerned it has no binding operational validity. At the same time, he refused to stand for the formal number one job – party secretary – supporting instead an old colleague and founding member, Sergio Stanzani.

The end result is total confusion about the party's strategy. If, as the final motion decrees, the Radicals withdraw from all future Italian elections, their 2.6 per cent of the electorate will scatter on the political wind, probably in the direction of the Greens and the Socialists.

UK and France face warship ultimatum

BY DAVID BUCHAN, DEFENCE CORRESPONDENT

BRITAIN and France have been given until the end of February to decide whether to join six other countries in continuing the NFR-90 Nato frigate project or to drop out of the scheme to develop the alliance's first common ship.

The six countries – the US, Canada, the Netherlands, West Germany, Italy and Spain – signed a formal memorandum of understanding in November to start the definition phase of the project.

But the UK and France, which had taken part in earlier NFR-90 feasibility studies refused to sign the latest memorandum, arguing that it was premature to start defining the ship hull before deciding what weapon system to put in it.

Growing impatient at what they have seen as foot-dragging, the other six countries have given London and Paris until the end of February to decide whether to join the project. A Nato official said yesterday that after February it would be virtually impossible for the UK and France to come into NFR-90 on any reasonable political or industrial terms, because work would have been shared out among the original six.

However, the deadline seems to have already concentrated some British and French minds. The deep divisions inside the UK Defence Ministry over the wisdom of the project have now been papered over with a formal departmental position in favour of staying in NFR-90 project definition.

However, it will take a cabinet decision to reconcile this with the hostile view of NFR-90 still taken by the UK Treasury. France has tended to let the UK make the running in objecting to the "mismatch" in timing between the ship and weapons studies, and has always been considered by Nato officials in Brussels more disposed to join than the UK.

The importance of air defence to ships was underlined in the Falklands war, and last year by the Iraqi missile attack on the USS Stark. The nub of the UK complaint is that definition of the air defence weapons, now belatedly being studied in two international consortia (with the UK involved in both), should proceed at least in tandem with definition of the common frigate hull itself. The reason is that size of the weapon system will determine size of the ship and that savings, on common weapon development are likely to greatly exceed the savings in making a common hull.

Finns put damper on economy

By Olli Virtanen in Helsinki

THE FINNISH Government yesterday announced a series of measures, mostly aimed at companies in the Helsinki region, in an effort to ensure that the country's strong economic performance does not lead to overheating.

The Government fears that inflationary pressures could lead to a recession in the autumn unless strong action is taken. Among yesterday's measures was a requirement that companies in the Helsinki area make deposits with the Bank of Finland amounting to 25 per cent of their taxable, 1986 profits. Elsewhere in the country, the deposits are set at 10 per cent.

The amount deposited this year will be around FM 2bn ($270m). The Government also announced plans to raise fuel taxes, but no details were revealed yesterday.

The Bank of Finland is expected to follow the same line today by adjusting the Markka's self-imposed limits for gradual revaluation, and raising the cash reserve requirement imposed on banks.

Finland has seen consumption and investment increase considerably during the past 12 months. Lower interest rates abroad have prompted Finnish companies to raise foreign capital which boosted the central bank's currency reserves from FM 10.6bnto FM 27.4bn during 1987. At the same time monetary policy failed to keep consumption in check.

Investments categorised as "less important" will face a 40 per cent temporary investment tax in and around Helsinki.

Agrokomerc's creditors write off half its debt

By Aleksandar Lebl in Belgrade

CREDITORS of Agrokomerc, the agribusiness at the centre of Yugoslavia's biggest financial scandal since the war, have agreed to write off almost half its debt – 145.4bn dinars out of a total of 335.2bn dinars ($145m). The remaining 186.8 bn dinars will be repaid over five years.

It emerged last summer that Agrokomerc had obtained substantial loans and deliveries of goods from Yugoslav banks and companies by issuing false promissory notes. A number of leading politicians, including Mr Hamdija Pozderac, the Federal Vice-President, lost their jobs as a result of the scandal, and many managers at Agrokomerc and at local Yugoslav have been arrested.

The settlement out of court means that Agrokomerc will not go bankrupt. It may operate in future under a different name, and parts of it may change hands. But creditors of the complex, whose guarantors are the Economic Chamber of the Republic of Bosnia and Hercegovina and the Economic Bank of Sarajevo, have come to the conclusion that forcing it to declare bankruptcy would not be in their interest.

Fiat, Florence and the aesthetics of suburban development

Jennifer Grego on a controversial project that could challenge an historical city

IF ITALY'S largest private sector company has its way, the view from the cypress-studded slopes surrounding Florence is likely to change radically in the next few years. A team of architects has been set to work on plans for an ambitious new development on land owned by the Fiat group just 12km from Piazza della Signoria in the heart of Florence's centro storico.

Inevitably for so sensitive an architectural venture, the journey is a bumpy one. An architects' workshop dedicated to the initiative opened so acrimoniously last September that the co-ordinator Mr Lawrence Halprin, the American landscape architect and one of only four non-Italians on the 14-strong team, foresaw disaster. However, by the close, they all produced touchingly enthusiastic reports, marked by 14 points of broad agreement on the positioning of the major buildings and the general layout of the new site.

The area is currently known as Novoli, a section of low-lying land stretching out towards the airport to the north-west of Florence. A Fiat car components factory has long occupied 32 hectares of the terrain and when, in 1984, the Florence city council broadcast its requirement for a site for new law courts, new council offices, a new hotel complex near the Stazioni Fortezza Da Basso quarter and for a park for Novoli, the Turin company stepped in with a proposal that seemed to solve the council's problems at a stroke.

Mr Cesare Romiti, the Fiat group's managing director, offered to move the Fiat offices from near the station to Novoli to make room for the hotel complex and to transfer the company's factory to a new location, still to the north-west of the city. At the same time, Fiat submitted a plan for a new development at Novoli which should answer all the council's needs. The company also offered to share financing of the ambitious project to the tune of L500bn ($361.5m) and proposed that Mr Halprin should design the overall plan.

The Fiat proposals were eventually adopted by the Florence council in July 1986, much to the delight of Mr Massimo Bogianckino, the socialist who left his job as superintendent of the Paris opera to become mayor of Florence two years ago. He had long been convinced that the only solution to the city's fearful traffic problems was to move some offices and services out to the periphery.

He views the project as a remarkable fusion of interests between the public and the private sectors which others believe can hardly fail either aesthetically or commercially. All involved feel that they are part of a courageous first attempt by a public administration to give a potent symbol of the past a decisive kick into the future, rather than wrap itself in a safe cloak of culture and tourism.

The confidence about aesthetics derives partly from the council's choice of the highly respected architect, writer and radical senator, Mr Bruno Zevi, to work with Mr Halprin, the aim of whom career has been to make modern cities places which are also pleasant to live in. Moreover, he has given particular attention to suburbs, whose design has been sadly neglected in Italy according to Mr Zevi, who accepts that "this is probably the fault of us architects."

Mr Halprin's credo – "life is more important than design unless design enhances it" – is one which came naturally to Italian architects 300 years ago, but now seems forgotten.

Mr Halprin is also seen as someone well able to fulfil the first requisite laid down by Mr Giovanni Michelucci, the 96-year-old doyen of Florentine architects. He maintains that anyone planning to tamper with Florence and its surroundings must always keep in mind the city's foremost architectural element – the cupola designed by Brunelleschi for the cathedral of Santa Maria del Fiore.

According to Mr Halprin, it was a visit he made to Florence at the age of 12 which first made him aware that the environment was a work of art. He was immediately excited by piazzas that were gardens with statues, streets with fountains at their corners and the importance of the skyline – all of which made him see that architecture could be part of the lives of a city's inhabitants.

He has taken this concept to San Francisco where, in 1962, his team of architects converted the old Ghirardelli chocolate factory into a tiered series of platforms and courtyards with shops, theatres, cafes, gardens and fountains. The same ideas inspired his restructuring of the grim Nicollet Mall in Minneapolis into a curving tree-lined pedestrian precincts and a highway for public transport only.

But the scheme has caused controversy. Nevertheless, as any recent visitor might agree, the city desperately needs breathing space – the annual number of tourist visitors climbing above 5.5m. If all the parties keep to their commitment to keep the density of building low, then the new project could produce something worthy of the incomparable city – only a handful of kilometres away.

Mr Halprin admits to some trepidation at the thought of applying his theories to the city which first inspired him. He stresses that the new development at Novoli will be as alive by night as by day, with concert halls, theatres, restaurants, piazzas with outdoor cafes and mixed residential and commercial areas. At least 16 hectares will be parkland with a lake for sculling and at the apex of the development will be the new Palazzo Di Giustizia designed by Mr Giovanni Michelucci and Mr Leonardo Ricci.

Conservationists are already up in arms with 90 intellectuals in the forefront headed by Sir Harold Acton, the British historian, the painter Annigoni and the head of the architecture faculty at Florence University. Understandably, they fear that the new development might alter that delicate balance which keeps Florence a lively provincial capital, rather than merely a museum city.

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Palestinians start campaign of disobedience

BY OUR JERUSALEM CORRESPONDENT

PALESTINIAN leaders in Arab East Jerusalem yesterday launched a campaign of civil disobedience in the occupied West Bank and Gaza Strip.

For the next week they called on the 1.5m Palestinian residents to stop smoking Israeli cigarettes. The following week it will be the turn of Israeli soft drinks.

One of the organisers of this non-violent resistance, Mr Hanna Siniora, said last night: "We shall then wait for an answer to our requests. We are asking the Israeli authorities to rescind deportation orders against nine Palestinian activists and to release peopla detained in the latest disturbances. We also want them to cancel the (British) 1945 emergency regulations which allow them to carry out these human rights infringements."

Mr Siniora, editor of the pro-PLO Arabic daily paper, Al Fajr, said that if the Israelis proved responsive, they would "try to de-escalate," but threatened to launch a second, more defiant stage of the campaign if the Israelis refused to budge. They would urge the occupied Arabs *not to pay Israeli taxes.*

He claimed that Israel made a surplus of $200m a year in the territories, and argued that it was time to make the occupation more costly.

"We are trying to reach not only the Israeli Government," Mr Siniora explained, "but also to send a message to Israeli public opinion that another people is living side by side with them, enchained and shackled, and that their national rights have been ignored. This occupation has to end, but for that to happen there has to be a change among the Israeli electorate."

He recalled that Mahatma Gandhi's campaign against the British Raj began with a salt embargo. The Palestinians were beginning equally modestly with cigarettes. The impact is more likely, however, to be political than economic. Most of the occupied Arabs smoke Turkish rather than Israeli cigarettes.

Syria in fresh move on Gulf ceasefire

By Richard Johns

SYRIA is attempting to arrange a meeting between Iran and the Gulf Co-operation Council in its bid to bring about a ceasefire in the war between the Islamic Republic and Iraq, according the Saudi Arabian newspaper Al Sharq al Awsat.

Vice-President Abdel-Halim Khaddam and Mr Farouq al Sharaa, the Syrian Foreign Minister, were yesteday continuing their tour of member states of the GCC in what is seen in the region as a determined effort to avert Iran's threatened ground offensive against Iraq on the southern front near Basrah.

Al Sharq al Awsat quoted Syrian officials as saying that any formal Iranian-GCC exchanges would probably take place at foreign ministerial level in Damascus.

The two Syrian leaders have so far visited Kuwait, Oman, Qatar and Bahrain.

Syria is believed to have proposed that Iraq should cease air attacks on Iranian oil traffic in return for an end to Iran's build-up on the southern front where it has mobilised 500,000 men.

Ivory Coast suffers from slide in world commodity prices

Nicholas Woodsworth *in Abijan reports on* the economic factors that have forced a decline in the special relationship which a West African nation had with the West

FOR MORE than 25 years, the Ivory Coast enjoyed unique relations with, and the confidence of, the West. The country has forged ahead under the close supervision of its former colonial ruler, France, to create one of the most productive economies in the Third World.

In contrast, most other black African countries have, since independence, drifted ever further from workable solutions to their problems and the Ivory Coast, a beacon of light in an other wise very dark continent, has long been extolled by the West as a model of Third World development based on co-operation and mutual benefit.

That special relationship of trust has now been put seriously into question by both partners. This is not due to any major change of policy on the part of Western financing institutions or the Ivory Coast leadership – in the past the relationship has been too profitable for either to want change.

It is, rather, a disequilibrium reflecting economic trends worldwide that is the source of the problem.

With the dramatic and prolonged slide in the world price of commodities on which the Ivory Coast depends on its survival – cocoa and coffee alone account for 60 per cent of its export earnings – neither partner is able to guarantee what the other once took for granted.

The West no longer provides the Ivory Coast with the commodity revenues it needs for sustained growth and the country is unable to pay back the money once so confidently loaned to it.

Six months ago the Ivory Coast dismayed creditors by announcing a moritorium on repayment of its $8.4bn debt. In October Mr Edward Jaycox, vice president of the World Bank African operations, went some way towards redressing the situation by announcing that agreement on debt repayments and fresh credit would be forthcoming before the year's end.

Nevertheless, the unquestioned confidence of the last quarter century has gone, and the Ivory Coast stands as a watershed in its history.

If the relationship is to continue on the same path at all, certain changes seem inevitable. The Ivory Coast as a junior partner and what has always in reality been a relationship of dependence will inevitably be the one called on to make those changes.

Call for more police power to combat crime

POLICE and investigators need more powers to battle global commercial crime, international lawyers and police officials said, **Reuter reports from Singapore.**

At a meeting to discuss securities market fraud, they called for more cross-border sharing of intelligence, more emphasis on loss prevention and said police should get additional powers to inspect documents and financial records.

Mr Barry Rider, chief fraud officer of the Commonwealth Commercial Crime Unit, said: "We must employ other weapons, in addition to traditional ones."

"We must get away from the notion that the only way to attack the international criminal is through the court process," Mr Rider said.

Lawyers said fraud and destabiliation in the securities and commodity futures trading markets were the most serious economic crimes today.

They said the internationalisation of securities markets and advances in technology and communications meant a fraud in one market could have implications sweeping right through the world.

Some lawyers said existing procedures for detecting, investigating and prosecuting serious commercial crimes were less than adequate in many countries.

Mr Rider said prosecutors were generally wary about prosecuting commercial and economic crimes because of the complexity and difficulty of securing necessary evidence and the cost involved.

Sri Lankan Finance Minister rebuked for criticising policies

SRI LANKAN Finance Minister Ronnie De Mel is under fire from cabinet colleagues for criticising government policy, political sources and newspapers said yesterday, **Reuter reports from Colombo.**

The sources said President Junius Jayewardene had sought *an explanation from Mr De Mel* who criticised a referendum that extended the Government's term without a general election.

The state-run Daily News, quoting informed sources, said Mr De Mel had submitted a reply to Jayewardene but the contents were not disclosed.

Mr De Mel told parliament on December 24: "Most of our troubles *stem from* the fact that we haven't had parliamentary elections (since 1977)."

A general election was due in 1983, but instead a referendum was passed in December 1982 approving an extension of parliament for e further six years.

Mr De Mel told parliament: "We must hold elections before the people get up and say 'in God's *name go*.'"

He said if he had a free hand he would have voted against the referendum. He hoped provincial council elections and parliamentary elections would be held in 1988.

The independent Sun newspaper reported that he came in for "bitter criticism" from his ministerial colleagues at the weekly *cabinet* meeting on Wednesday.

Several ministers protested strongly to Jayewardene and urged him to take disciplinary action, but were told an explanation had been called for, the Sun said. Mr De Mel was not available for comment.

Mr De Mel, 62, has been Finance Minister since the Government came to power in 1977. *He has been in politics for the* past 26 years.

Top Peking leader gives boost to freedom in arts

BY COLINA MacDOUGALL

A KEY member of China's top leadership has given a new and forthright boost to freedom of expression *in the arts and* labelled some party conservatives as "excessive" and "one-sided".

Hu Qili appointed to the ruling five-man Politburo standing committee last November and widely seen as a reformer, this week declared that "a hundred flowers should blossom and a hundred schools of thought contend" at a meeting with writers and artists in Taiyuan, capital of Shanxi province.

He added that the party's leadership over literature and art would be limited to major issues such as orientation and guiding principles. "We will frequently remind those people who can't keep pace with China's ongoing reform and those people who are a bit excessive in criticism. Of course, they are good comrades, but their problem lies in their one-sided attitude".

This is the first time since before last year's hardline "anti bourgeois liberal" campaign, in which party elders clamped down on intellectual freedoms, that the evocative slogan "Let a hundred flowers bloom" has been officially uttered.

Traditionally in China the phrase refers to free expression. Its most recent emergence in 1986 led to wide-ranging discussion on political reform and in turn to the student protests of last winter.

Its appearance now, accompanied by numerous press announcements of impending reforms in the economy, suggests that supreme leader Deng Xiaoping's full reform programme may be back on course after a year in which this was in doubt.

Transkei leader moves to boost investment

BY ANTHONY ROBINSON IN JOHANNESBURG

GENERAL Bantu Holomisa, leader of the new military government in the so-called "independent" homeland of the Transkei has called on anyone with knowledge of corruption to tell the Government and announced plans for a new economic advisory committee.

In his first major speech since he deposed the three-month-old government of Prime Minister Stella Sigcau in a bloodless coup on December 30, the 32-year-old general said the new administration was planning a programme to attract investors.

The Government particularly wanted to hear from potential investors who had decided against proceeding with projects in the Transkei because of their unwillingness to pay bribes to officials, he said.

Despite the charges of corruption against them, however, both the prime ministers deposed by General Holomisa, Mr Matanzima and Mrs Sigcau, were present at the ceremony in the capital, Umtata, which dissolved parliament and established the military council and council of ministers.

TAMIL NADU

Change at the top satisfies New Delhi

BY JOHN ELLIOTT IN NEW DELHI

THE INDIAN Government hopes the political situation in the southern state of Tamil Nadu will remain stable following the swearing in yesterday of Mrs Janaki Ramachandran as Chief Minister.

Mrs Ramachandran is the widow of Mr M G Ramachandran, a 70-year-old *charismatic* former film star who died two weeks ago after being the state's Chief Minister for ten years.

She has yet to prove her political strength with a vote on the floor of the State Assembly, a test that is likely to come later this month. Yesterday she issued a statement pledging to continue her late husband's alliance with Mr Rajiv Gandhi's Government and Congress I Party, including support for last August's Indo-Sri Lankan pact on the island's Tamil ethnic crisis.

This is as much as Mr Gandhi could hope for at this stage and he intends to ensure that his Congress I Party in Tamil Nadu supports Mrs Ramachandran. His party has no power base anywhere else in south India.

Political stability in Tamil Nadu is vital because the state's 60m Tamils are closely linked with the Tamils at the centre of neigbouring Sri Lanka's ethnic crisis. Many of the 60m could relatively easily be persuaded by rival political parties and factions fighting for power to stage damaging civil disturbances if there is not a strong state government in charge.

This could upset tha broad national support for last August's Indo-Sri Lankan pact which has led to Indian troops attacking and killing Tamil extremists in the north and east of Sri Lanka.

There are now at least 30,000 Indian troops in Sri Lanka and more than 340 have been killed. But there is no sign of significant opposition building up in India either to the pact or the troop Involvement. Mr Gandhi does not want political instability in Tamil Nadu to endanger this public acquiescence of his policy.

However, the state's political balance is fragile and complex. Mrs Ramachandran, herself a former film star, does not have *the full* support of her husband's Dravidian Party, tha AIADMK. She claims to have the support of 97 state assembly members in the party, but another faction is led by Ms Jayalalitha Jayaram, a 38-year-old glamorous former film star who was the late Chief Minister's close companion and political protege.

Mrs Ramachandran, who has had no direct political experience, has been recruited by other politicians to draw a widow's sympathy vote from assembly members against her husband's ambitous younger friend. But the real power in her new government lies in another leading state politician, Mr R M Veerappan, who did not have the popular appeal to be the leader himself.

Similarly Ms Jayalalitha is lined up in the leadership of her faction with another political veteran, Mr V R Nedunchezhiyan, who was acting chief minister for the past two weeks. They are expected to challenge Mrs Ramachandran soon, although it is not yet clear whether they will go so far as to try to destabilise her government with civil disturbances.

Waiting in the wings is the state's main opposition party, the DMK, also with a south-Indian base. It often stages street demonstrations but has been kept in check in the past by the political skills and weight of the late chief minister.

Mrs Ramachandran is the first widow to succeed her husband as chief minister of an Indian State.

AMERICAN NEWS

Mexican drive sends interest rates soaring

BY DAVID GARDNER IN MEXICO CITY

SHORT TERM interest rates on Mexican Treasury Sills (Cetes) have risen by up to 33 percentage points, as part of a dramatic new drive by the govenment to soak up liquidity in support of the anti-inflation programme it began unveiling last month

Rates on 28-day cetes rose from 126.6 per cent to 159.2 per cent at this week's Bank of Mexico-managed auction, hoisting all Mexico's representative interest rates to all-time highs, and causing severe tremors in local capital markets.

The Mexico City stock exchange where shares had already lost three-quarters of their value since the beginning of October, lost a further 10 per cent on Wednesday as the extent of the interest rises became clear. The 49 stock index opened yesterday at 88,379 down from 98,193.

The purpose of the swingeing new rate rises is to choke off liquidity for at least the first quarter, the critical period for the anti-inflation programme.

This programme is centred on voluntary wage and price controls, a temporarily fixed exchange rate, new budget cuts, huge one-off public sector price rises, and cheaper imports.

It foresees an initial burst of very high inflation which should fizzle out into relative price stability by March, when a system of forward indexation for wages and prices begins. Under this system, minimum wages and a basket of 75 goods and services are supposed to rise in line with an estimate of inflation agreed at the beginning of each month, until monthly price rises reach a two percent target set for December.

To have any chance of success the plan requires a degree of backing from the private sector absent since Mexico's 1982 financial collapse and attendant expropriation of the banking system. Two critical but unstated measures in the plan are aimed at securing this according to senior ministers.

The government is using its considerable arsenal of power and persuasion to negotiate with the monopolies which dominate almost all industrial sectors, in a bid to make them downward price leaders rather than, as up until now, the main contenders in a price leapfrogging contest which has inflation currently running at about 160 percent.

Second, the government is in effect serving notice that leading Mexican or multinational companies wishing to do business here over the next six months must either import dollars or dip into their brimming corporate treasuries.

The latter are described by one Cabinet minister as "a time bomb" after last year's return to very high profits, which showed an upward swing in the year to the end of September of an astonishing 6,973 per cent.

The minister said between five and ten large companies are holding cash in pesos equivalent to $500m each. This week's rate rises are intended to mop a lot of this up, preventing any stimulus either to demand or capital flight.

The government is simultaneously reining in is its own expenditure and is expected shortly to announce a new batch of divestitures and closures of state companies, in addition to the 112 enterprises the Planning Ministry says have already been privatised.

Sematech blow to Silicon Valley

By Louise Kehoe in San Francisco

CALIFORNIA'S leadership as the centre of the US high-technology industry has received a blow with the annooncemeot that Sematech, the US semiconductor industry's co-operative research effort to counter Japanese competition, is to be located in Austin, Texas, rather than in Silicon Valley.

The decision, which follows months of competitive bidding by over 20 states, came as a major disappointment to officials who had hoped that the semiconductor makers would choose a site close to the industry's traditional "home" in Northern California.

The loss of Sematech follows the announcement last week that California had failed to win a place on the "short list" of states being considered as sites for the Department of Energy's $4.4bn Superconducting Super Collider project.

That decision threatens California'e reputation as the leading centre of physics research in the US. Sematech, which has been in the planning stages for nearly two years, is expected to produce up to 800 jobs and spend $1.5bn over six years.

The project, which recently won $100m in Federal funding a year, will also be paid for by member companies.

Its goal is to improve US competitiveness in the manufacturing of semiconductor chips which are crucial to defence and the computer and electronics industries. Without a joint effort, funded by the government, the US would lose out to Japanese competitors, US chipmakers have argued.

"California is in danger of losing our leadership position with the high-technology industries," Mr Tom McEnery, Mayor of San Jose, in California's Silicon Valley, complained yesterday.

Although California made an 11th-hour bid to secura the Sematech project by offering $125m in state funds, the state's initial offer to Sematech lacked a definite commitment of funds. By contrast, Texas offered the chipmakers $68m cash as well as the use of an existing semiconductor production facility.

"Key considerations in Sematech's decision to select the Austin site included an existing facility, and extensive state and local government support," the industry consortium said.

Barbara Durr reports on a dramatic change in Lima's black market

Peru dollar traders go underground

IT'S LIKE drugs, prostitution, or illegal gambling. Changing dollars on Peru's black market, once as simple and risk-free as a trip to the local shop, has now become a venture into society's underworld.

Young, rough-looking men hang about on the street and furtively mutter "dollars" to passers-by. If you are interested, you nod and the moneychanger begins to walk with you. You ask "What's the rate?" and probably have to bargain – a Latin cultural phenomenon in virtually all business deals.

Thus begins the illegal transaction of converting dollars into the inti, the local currency, at 30 per cent or more over the official exchange rate. Hotels and banks will legally buy dollars for the certificate rate, at 62 intis per dollar – the rate at which the central bank values tha dollar-denominated certificates used to pay importers and exporters. But on the street, rates hover above 90 intis and some traders expect it soon to reach over 100. For Peruvians, dollars are strictly limited for business and travel.

The dollar black market is concentrated along Ocona Street, known locally as the Creole Wall Street, in the business centre of Lima. These days, to add a speculative element to the atmosphere, money changers can be found outside Lima's stock exchange.

The market has dramatically changed. Before last July when the Government – in an attempt to husband Peru's scarce dollars – closed foreign exchange houses, fixed an official exchange rate and made street operations illegal, the business of changing money on the street was blatantly open.

Then, money changers on Ocona waved wads of bills and a calculator and contended loudly for customers. Often, a potential client for buying or selling dollars would be swamped by at least a half dozen changers. Not any more.

> Often, a potential client for buying or selling dollars would be swamped by at least a half dozen changers. Not any more.

Now, when a customer wanders down Ocona Street and agrees surreptitiously to trade dollars, the transaction is carried on with the air of talking quietly about the weather but with a sharp eye out for police. If a foreigner is caught, the police detains him briefly and may relieve him of some money in the process. Peruvians, however, face the confiscation of the sum they wanted to change and fines of up to 10 times that amount. The money changer suffers the worst. He loses his money, is fined and might go to jail.

On one recent afternoon, an intrepid foreign visitor struck a deal with a young man named Pedro, who led him to a garage entrance while he called an associate. Out of the garage came a paunchy man called Milo with a calculator discreetly on his watch. Milo worked out the deal and, looking out towards the street, sneakily handed a stack of notes backwards to his customer. He then took $300, snapped the notes smartly and walked away without a glance or a word.

Pedro explained that the Government's crackdown has pared away at the numbers of money changers on Ocona Street, whose money largely comes from the buoyant $1bn Peruvian drug trade. Where once there were 300 to 400 on Ocona, now only about 100 are left and only about 70 actually have cash. The 30 or so others, like Pedro, solicit trade for a 0.5 per cent commission.

While official figures on the volume of black market dollar trading do not exist, the ebb on Ocona is regarded as a modest success for the Government's effort to control capital flight and dollar speculation. Capital flight is estimated at between $600m and $800m annually.

But as trade on Ocona has shrunk, some of the shrewder former traders have started a secretive financial service. These black marketeers work door-to-door for the many well-off Peruvians who want to buy or sell dollars while avoiding the risks of the street. This elite service has the bonus that it frequently includes a choice of contraband American whisky and Chilean wines for bargain prices. Peruvian importers, desperate for dollars, also resort occasionally to these channels.

Some of the bigger black marketeers run their operations from plush flats which masquerade as living quarters. They cash dollar cheques drawn on foreign banks, but only if the amount is over $1,000.

However, for the ordinary black marketeers on the street, business these days is risky because of frequent police raids. One of 10 or so money changers at the Lime stock exchange detained recently said: "Luckily, I had just changed and only had intis." He told the police the reason he was carrying approximately $1,850 worth of intis was because he did not have a bank account.

Without telltale dollars, he was released and his money returned. The police, he said, "wanted a bribe, but I would not give them one. They didn't have a case." If they had had one, he admitted, he would, of course, have paid up.

Caricom lets Haiti off hook

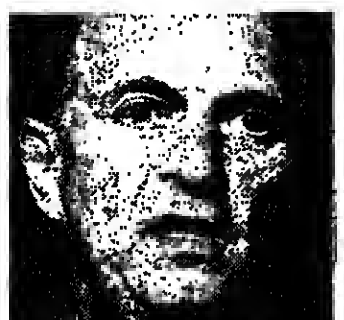
BY CANUTE JAMES IN KINGSTON

THE CARIBBEAN Economic Community has failed to agree on proposals to ostracise the government which is to be elected in Haiti in 10 days in a vote controlled by the country's military rulers.

After a day of bickering over procedural matters, leaders and government officials from 12 of the 13 members of the community rejected proposals urging a boycott of elections, and suggested they were willing to recognise the government to be elected on January 17.

Diplomats in the region said a failure of the community to be more harsh on Haiti's military government was likely to be welcomed by Gen. Henri Namphy, the head of the government, and would do little to persuade the junta to change the rules under which voting will take place, including unsealed ballots being handed to soldiers.

In an effort to reach agreement at their meeting in Barbados, which ended yesterday morning, the Caribbean Community states condemned the manner in which the voting would take place, suggesting that it was open to fraud. In the end, however, they did not agree that they would ignore the outcome of the election.



Seaga: pressure

At the end of the meeting however, Mr John Compton, Prime Minister of St Lucia, said the community was calling on the Haitian Government, "the church, the candidates and others who exercise authority and influence in Haiti to open the process of dialogue immediately, with a view to reducing the differences and hostility, and to ensure that Haiti does not lose this opportunity to join the family of democratic nations."

If the Haitian Government ignored the concerns of the Caribbean Community, "international assistance" to Haiti might be affected. "We are not satisfied with the procedures for the elections," the Prime Minister said.

Firmer measures suggested earlier by Mr Compton, current chairman of the community, had been presented to the conference for inclusion in its communique, but the position of the Community was softened under pressure from Mr Edward Seaga, Prime Minister of Jamaica.

At the end of yesterday's meeting, the Jamaican leader said the Caribbean Community should recognise the elections in Haiti if they are held under "acceptable" conditions. The community objected to the system of open balloting.

Brazilian effort to exclude oil groups fails

BY IVO DAWNAY IN RIO DE JANEIRO

EFFORTS by Brazilian nationalists to exclude foreign companies from distributing petrol and oil products in Brazil appear to have collapsed following a formidable lobbying and advertising campaign.

But Mr Aurellano Chaves, Mines and Energy Minister, is backing a demand that the future granting of risk contracts for exploration rights must require applicant companies to ensure reciprocal access in their headquarter countries.

In a 15-point submission to the Assembly now finalising a new Constitution, the minister argues that there is no case for forcing foreign oil distributors to surrender majority shareholdings in their companies to Brazilian partners.

Such a requirement had been approved by the key constitution drafting committee in November, unleashing a storm of protest from foreign companies. Shell, Exxon, Texaco and Atlantic Richfield, which together control some 55 per cent of Brazil's distribution market, immediately launched a nationwide campaign to reverse the decision.

Yesterday, a lobbyist working for the companies claimed that 75 per cent of congressmen contacted opposed the nationalisation plan. The distributors' campaign slogan: "Who distributes, also contributes" - has also had the backing of Petrobras, the state oil company.

Mr Fernando Milliet, who resigned as president of Brazil's Central Bank on Tuesday, has accepted a call from the new finance minister, Mr Mailson da Nobrega, to continue in the post, Ivo Dawnay reports.

After a day of widespread speculation that the bank presidency would be taken on by Mr Jose Luiz Silveira Miranda, president of Banco Inter-Atlantico de Investimento, Mr Milliet's reappointment took many by surprise.

A former head of Banespa, the state bank of Sao Paulo, Mr Milliet had only taken over the Central Bank post last April when Mr Luiz Carlos Bresser Pereira inherited the ministry of finance.

On Mr Bresser's resignation last month in a dispute over tax increases, Mr Milliet was expected only to remain in his post until a new minister was appointed.

Now, the Central Bank president has been also been designated chief of negotiations on Brazil's $116bn (£64.4bn) foreign debt. He is expected in New York next week to resume talks with creditor banks.

The state company argues that controls on foreign operators would limit its access to foreign markets and reduce competition, forcing the closure of petrol stations.

Mr Chaves' proposal to limit risk contracts to those companies whose headquarter countries allow Petrobras' international arm, Braspetro, to drill, appears to be a new development.

Since 1976, several foreign companies have been engaged in risk-contracting in Brazil, including Shell, through its US subsidiary Pechten, and Texaco. So far only Pechten has found commercially exploitable quantities of fuel in the form of a gas field off the coast of Sao Paulo.

Promising geological structures encountered by Texaco in the mouth of the Amazon have led President Jose Sarney this week to authorise Petrobras to negotiate drilling rights with the US company.

WORLD TRADE NEWS

End beef, wheat import curbs, US tells Japan

BY IAN RODGER IN TOKYO

THE US is demanding that Japan remove import controls on beef and wheat as well as on other agricultural products.

Mr Michael Smith, the US Deputy Trade Representative who was in Tokyo this week for two days of talks, complained that Japan's official import agencies for beef and wheat had not passed on the benefits of the change in exchange rates to consumers.

He claimed that US wheat was imported last year for $115 per ton and sold in Japanese consumers at the equivalent of $570 per ton. Similar disparities existed in beef import costs and resale prices, he said.

Mr Akio Kyoya, director-general of the Livestock Industry Bureau of the Ministry of Agriculture, said the official beef importing agency had reduced its beef sale prices by 22.3 per cent since 1986.

The wheat importing agency has recently decided to lower its sale price by 6.2 per cent.

Mr Smith said Japan should liberalise beef imports totally when the existing bilateral agreement on import quotas expires at the end of March.

The US delegation also urged Japan to accept a Gatt dispute panel report late last year calling on the country to remove import restrictions on 10 agricultural products.

Japan blocked adoption of the report at the December Gatt council meeting because it was not prepared to liberalise trade in two of the products, milk by-products and starch.

Japanese officials have been coy on this issue, referring only to Prime Minister Noboru Takeshita's remark last week that Japan would give a "proper" response at the next Gatt council meeting in February.

Both US and Japanese officials have denied newspaper reports that the two sides have agreed that if Japan endorses the Gatt report, it can delay implementation of liberalisation measures for milk by-products and starch.

Howevar, it is clear this is what Japan would like to achieve. The Government is concerned about the effect on dairy and potato producers if these markets were opened up.

Japan lead increases in world chip sales

By Louise Kehoe in San Francisco

JAPAN increased its dominance of the world semiconductor market in 1987, a year in which world-wide sales rose by 24.2 per cent to total $36.6bn (£20.3bn), according to Dataquest, a US market research company.

Measured in dollars, the Japanese chipmakers took 48 per cent of the world market, compared to 39 per cent for the US and 11 per cent for European manufacturers.

Dataquest noted that the declining value of the dollar, which fell by 14 per cent against the yen last year, had a significant effect upon the market-share rankings.

The researchers predict that in 1988, US chip-makers stand to benefit from the dollar devaluation as prices for Japanese chips rise.

Semiconductor consumption and production in the US will also grow faster as the cost benefits of offshore electronics assembly decrease, analysts suggest. US chipmakers may also begin to gain ground as the effects of the 1986 US-Japan semiconductor trade agreement take hold, industry analysts said.

The trade pact, which promised greater access to the Japanese market for foreign producers, has already significantly increased Japanese memory chip prices in the US and Europe, easing competitive pressures.

Asia-Pacific chipmakers from Korea, Taiwan and Hong Kong increased their revenues by 64 per cent in 1987 to claim a 2 per cent share of the world market and emerge as a significant new force in the semiconductor business, Dataquest said.

By comparison, Japanese revenues grew by 27 per cent, US companies increased their sales by 21.7 per cent and European producers recorded growth of 20.8 per cent.

NEC of Japan ranked as the largest chipmaker in the world for the third year running with revenues exceeding $3bn in 1987. Among the major US producers, Intel grew fastest with a 51.4 per cent revenue increase to $1.5bn.

Chip companies worldwide fared better during 1987 than at any time since an industry slump began in late 1984 and bottomed in early 1986, according to Dataquest.

Tim Coone on how a national frustration has become a battle for lucrative contracts

Argentina invests in new telephone links

FROM THE humblest housewife to the haughtiest minister, from across a rigid political spectrum that rarely lends itself to compromise, there is one point on which all Argentines agree – their telephone system is a disaster.

For evidence one need look no further than the smashed telephones hidden in a cupboard in the FT office in Buenos Aires – a mute but moving testimony to the fraught emotions of successive correspondents in the city confronted with the need to make an urgent telephone call half an hour from deadline.

But such frustrations and index finger cramps may soon be vague memories. For the fear of being left out of what an imaginative estate agent might describe as "a market with potential" has prompted four major foreign telecommunications groups to offer, with their governments' backing, finance in excess of $1.6bn to overhaul and modernise completely Argentina's antiquated telephone system.

The battle for the multimillion dollar contracts spilled into the open last October with the row between Alcatel and Siemens over the renewal of 22 40-year-old exchanges and 400,000 lines. The French Government has backed Alcatel and Iata, its local Argentine subsidiary, with financing for the bulk of the $160m project.

Siemens objected to a third competitor entering the market, a complaint later voiced also by the Japanese concern NEC. These both have manufacturing subsidiaries in Argentina and rely on government contracts to maintain the most profitable side of the business, which is the manufacture of exchange equipment.

Pointing to the French government financing for the Alcatel project, a spokesman for Siemens said with a hint of jealousy: "We cannot expect to get that sort of backing from our own government." Surprisingly enough, however, within a month rival offers came from both Siemens and NEC, proposing the installation of 1m lines apiece, along with the digital exchanges backed by 100 per cent financing.

Behind the NEC offer is an estimated $600m from the Japanese Eximbank to cover major investments in the telecommunications sector, while the Siemens project is to be financed with DM600m ($201.5m) of "supplier credit and on-lending", according to a government official.

Mr Jose Magliano, the government Communications Secretary smiles serenely in his office. He is in the happy, even unique, position of having offers of $1.6bn in external finance which can almost double the capacity of Argentina's telephone service

Expansive network needed

over the next five years – and this without having to commit any domestic resources or savings to the investment.

At present there are 2.9m telephone lines installed in Argentina, one for every 11 people, compared with one for every two or three people in Europe. So far, only 60,000 of the lines have digital exchanges, whereas 1.7m lines are still using first generation technology step-by-step exchanges.

Alcatel's proposal to renew 400,000 lines and attendant digital exchanges in the capital has been modified, after an objection by Siemens and NEC, to only 250,000 lines, but will be expanded to 400,000 lines with new customers.

The level of local company participation in the manufacture of switching equipment has also to be improved by Alcatel. According to Mr Jorge Garfunkel, the vice president of Iata, "we are negotiating, and I foresee no problems in making the required adjustments to the contract."

Siemens' and NEC's proposals to replace old exchanges and install new lines up to a total of 1m each over the next four years is also being considered seriously by the Government "although this would imply half a million more new lines a year, twice the maximum number ever installed in Argentina," said Mr Magliano.

He believes the maximum demand would be closer to 350,000 lines per year, and that the proposals would have to be for turnkey projects as the state telephone company Entel does not have the capacity to instal more than 200,000 lines per year.

Italian companies are also eyeing the market, in the wave of optimism created by the recent trade accords signed between Italy and Argentina.

The most immediate Italian involvement instead will be in the digitalisation of the trunk lines in Buenos Aires, the replacement of the cables with fibre optics at a cost of $300m and the digitalisation and improvement of the microwave network which links the furthest points of the country into the national telephone network. The latter will cost a further $100m. Both projects count on Italian government support.

Mr Magliano said that all the proposed projects have "exceptionally high internal rates of return." He claimed that the replacement of the old step-by-step exchanges with digital technology in the centre of the capital could be paid off in one year, whereas investment in the digitalisation of trunk lines in the capital could be paid off in three.

All now depends on the Economy Ministry approving a further increase in Argentina's foreign debt burden from its present $54bn. Mr Magliano, taking a deep breath, says: "We are trying to convince the ministry of the very high returns on the investment and the infrastructural importance to the economy. There is no other sector of the economy which is in such need of investment and which shows such high rates of return. I am optimistic."

One can almost imagine the conversations ... "Hallo. Hallo. What? Hallo, yes. Is that the minister? Hallo? Hallo? HALLO?... Damn."

EC cool to US call for soybean subsidy talks

BY TIM DICKSON IN BRUSSELS

THE European Community yesterday reacted coolly to a request by the US Government for formal talks on the EC's system of subsidies for soybeans and other oilseed products.

The fresh agricultural trade dispute has been eparked by Washington's decision to take up a complaint by the American Soyabean Association which alleges that US soybean exports to Europe have dropped to around $2bn from $3.7bn five years ago.

A Commission spokesman said yesterday that the issua would be discussed by Mr Clayton Yeutter, US Trade Representative, and Mr Willy de Clercq, the EC's External Relations Commissioner, who are both attending today's Asian/Pacific trade conference in Bali.

That meeting is seen as a general mid-term review of the current round of the General Agreement on Tariffs and Trade (Gatt) negotiations but the soyabeans question is expected to be raised bilaterally in the wings of the conference.

The Commission considers that the US action is "inopportune" in view of the fact that between 45 and 50 per cent of US soybean exports go to Europe.

Brussels argues that the fall in these exports is not so much due to EC subsidies – which have long existed – as to the measures which are being taken in Europe to control beef and dairy production. "This means that there are fewer animals to feed," the spokesman explained.

The European Commission is also irritated that the subject has been raised in the run-up to the crucial summit of EC heads of state in Brussels next month, when the question of controlling EC oilseed production will be high on the agenda.

Norway gas sales 'make loss'

BY KAREN FOSSLI IN OSLO

NORWEGIAN GAS sales contracts signed with a consortium of European buyers in 1981 have become loss-making for the Norwegian Government, officials say.

The formula governing the gas prices has reduced government receipts to less than the cost of transportation to Europe, according to the Norwegian Energy Department and several oil companies.

Norwegian gas has been sold at about NKr0.57 a cubic metre to a European consortium comprising Ruhrgas of West Germany, Gasunie of the Netherlands and Gaz de France. However, the tariff for transporting gas ranges from NKr0.40 to NKr1.05 a cubic metre.

For Statoil, the Norwegian state oil company, gas sales to Europe remain profitable because it gains revenue from its 60 per cent stake in the North Sea gas pipeline linking the Norwegian fields to Europe.

Apart from its ownership of Statoil, the Norwegian Government holds a direct 78 per cent stake in the Gullfaks field, one of the three main sources of Norwegian gas. The Government must pay transportation tariffs on this gas without any offseting revenue from direct ownership of the pipeline.

The agreed gas price is linked to the past price of oil, which in 1986 hit a low of $9 a barrel compared with a peak of more than $30 the previous year. Gas delivered to British Gas in the UK, however, has been sold at a premium – about NKr0.15 to NKr0.20 a cubic metre higher than that of gas landed on the continent.

The transportation tariffs to the Continant, on the other hand, are linked to consumer price indexes.

Norwegian gas from the Statfjord, Gullfaks and Heimdal offshore fields is shipped through the Norpipe system, via the Statpipe transportation system, to Emden, West Germany. For Statfjord gas, the transport tariff is NKr0.70 a cubic metre, for Gullfaks gas NKr1.05 a cubic metre, and for Heimdal gas NKr0.40.

Oil companies which are partners in Norwegian gas fields, but not in the transport line, are suffering the worst losses in the deal. These include Conoco, Texas Eastern, Amerada Hess and Amoco. Two oil companies, Mobil and Shell, are partners in the gas fields and have stakes in the transport line. They are also buyers on the Continent.

Last May, Mr James Allcock, British Gas's director of petroleum purchasing, hinted to the Norwegian Government that the corporation would reopen negotiations to buy Norwegian gas from the Troll and Sleipner gas fields.

In 1985, the corporation was upset that the UK Government vetoed a deal with Statoil to buy a large quantity of gas for the 1990s. Since it was privatised in 1986, British Gas has been anxious to reopen talks with the Norwegians.

French sign oil and gas search pact with India

BY PAUL BETTS IN PARIS

TOTAL Compagnie Française des Petroles, the French oil group, has signed a new four-year industrial co-operation agreement with the Indian Oil and Natural Gas Commission (ONGC) to help India explore and develop its hydrocarbon resources.

The deal is expected to be worth up to FFr250m (£25m) in revenues for the French oil group during the period of the contract starting next month and ending in February 1992.

The contract renews the long-established links between the French oil group and India. Total signed a first four-year technical co-operation contract worth $18m (£10m) with the ONGC in 1977 to help develop Bombay High, the country's largest offshore oil field. Between 1977 and 1981, oil production at Bombay High rose from 2m tonnes a year to 7m tonnes.

The French group signed a second four-year co-operation contract worth $70m in 1981. At the end of the contract period, production at Bombay High had reached 20m tonnes a year, accounting for about two-thirds of total Indian oil production.

The latest contract comes at a time when the Indian authorities are seeking to pursue domestic exploration and production to try to halt the rise in oil imports.

Indian oil consumption has been rising by about 7 per cent a year, reaching 1m barrels a day at the end of last year, compared to domestic production of about 630,000 barrels a day.

- A consortium of French construction companies including Soges and Colas has won a FFr 2.2bn (£2.2bn) contract to build the second part of the extension of Jakarta's international airport.


1987
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This year, Pirelli has won every world rally championship there was to win - manufacturers', drivers' and Group N, the latest in a string of 16 world titles in 16 years. It all started in 1972, when Sandro Munari won our first championship in a Lancia Fulvia HF. Since then, Pirelli has also shared victory with other great drivers like Markku Alen, Walter Rohrl, Bjorn Waldegard, Hannu Mikkola and Juha Kankkunen. And great teams like Lancia, Fiat, Ford, Volkswagen, Audi and Toyota. But not for glory alone. Most world championship rallies are run on public roads. So Pirelli uses rallying as an extension of its research programme, developing sophisticated radials for motorists who really know about tyres.
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UK NEWS

New car sales last year pass 2m for first time

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

THE BOOMING UK car market, which passed sales of 2m for the first time in 1987, strengthened further in December with new car sales still showing no impact from the October stock market crash.

New car registrations in December jumped by 12.85 per cent to 91,284, the highest for the month since 1971, according to official figures yesterday from the Society of Motor Manufacturers and Traders.

Registrations for the whole of 1987 increased by 6.97 per cent to 2,013,693 units, the third successive year in which sales volumes have climbed to a record level.

Buoyant sales as well as favourable exchange rates have lifted the fortunes of the previously battered UK car industry.

Domestic car production last year grew by around 12 per cent to 1.14-1.15m units according to industry estimates, while the share of imports in the UK car market fell to 51.68 per cent from 55.97 per cent in 1986 as both Ford and General Motors continued to increase their sourcing from UK plants.

UK car exports also recovered strongly with an estimated increase of close to 20 per cent from 187,556 units in 1986.

Ford further strengthened its grip on the UK car market with its share of new car sales rising to 28.81 per cent from from 27.38 per cent a year earlier.

Despite the surging market both Austin Rover and Vauxhall, General Motors' UK car subsidiary, suffered a fall in market share, with Austin Rover dropping below 15 per cent for the first time.

The volume of Austin Rover car sales increased modestly to 296,784 from 293,240 in 1986, but its market share fell to only 14.74 per cent from 15.58 per cent a year earlier.

The company has managed to regain profitability in 1987 for the first time since 1983, however, and its export performance improved markedly with foreign sales rising to 140,000 cars last year, its highest export volume since 1979.

Austin Rover said yesterday that its export earnings doubled to £700m in 1987.

Vauxhall's UK market share dropped to only 13.45 per cent from 15.11 per cent.

The share of the UK car market captured by Japanese imports was little changed at 10.91 per cent compared with 11.12 per cent in 1986 including 24,446 vehicles produced by Nissan at its Sunderland plant.

Analysis, Page 8

Ford unions to reject three-year deal

BY JOHN GAPPER, LABOUR STAFF

MANUAL onloas at Ford Motor are to reject a three-year pay offer today and insist that the company does not reduce its UK workforce as a result of efficiency savings brought about by shopfloor reorganisation.

However, Mr Mick Murphy, leader of the union side in negotiations, said the eight manual unions were prepared to accept a three-year deal if the offer was improved and employment guarantees given.

Mr Murphy said that the uuioos required undertakiogs that the UK manual workforce of 32,500 would not he reduced – even through voluntary redundancy – and pools of temporary workers would not be used to meet output peaks.

He said that the company could afford more than its offer of 6.5 per cent for the first year of the deal, and would have to promise to pay at least the first-year settlement in the two succeeding years.

Ford imported 50 per cent of the cars it oold in Britain, and it was reasonahle that the company should have to channel back efficiency savings into increased UK production rather than reducing its workforce, he said.

•Union leaders of 11,000 manual workers at Vauxhall Motors, the General Motors' subsidiary, are to recommend acceptance of a two-year pay deal worth between 11 per cent and 14 per cent.

Betting industry escapes probe

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

BRITAIN'S bookmaking industry – worth almost £4bn a year in terms of total turnover – is not to be referred to the Monopolies and Mergers Commission for scrutiny.

The announcement yesterday by Sir Gordon Borrie, director general of fair trading, follows intense speculation that the Office of Fair Trading was poised to refer off-course betting after receiving complaints about the alleged market power of the four leading bookmakers.

The market leader is Ladbroke, with an estimated 14.5 per cent share of the market, followed by William Hill (part of the Sears Group), Coral (owned by Bass), and Mecca (Grand Metropolitan).

These companies together control some £2.4bn - or 52 per cent - of the market by value.

Shares in these companies had been marked down earlier in the week, but rallied after yesterday's statement.

The OFT had been investigating the off-course betting industry for the past year. This followed relaxations in 1986 in the law allowing off-course betting shops to show live television coverage of both horse racing and greyhound racing for the first time.

This led to the creation of Satellite Information Services, in which the four major bookmakers have significant stakes, to provide live television and information coverage of racing in the UK.

The OFT had received complaints that bookmakers were stifling competition, especially by offering similar odds in off-course betting.

However, the OFT found insufficient evidence to suggest that bookmakers were acting together so as to "prevent, restrict or distort competition."

Nurses strike over threat to payments

By David Brindle
Labour Correspondent

THE GOVERNMENT'S handling of the National Health Service was thrown back into sharp focus last night when nurses at a Manchester hospital held a one-shift strike in protest at a threat to the national system of night duty payments.

More than 100 night nurses at the North Manchester General Hospital were said to have voted unanimously for the strike in a secret ballot they had instigated. Aboot 40 of them were doe to be on duty last night.

Leaders of the National Union of Public Employees, the union representing all the nurses involved, said that other hospitals could be hit by similar unprompted strikes unless the Government scrapped plans to cut so-called special duty payments.

Strikes by nurses have been rare, though oot unknown, since the profession's national pay dispute in 1982.

The Royal College of Nursing, the biggest union concerned, has a no-strike rule, although its members at North Manchester were said to have agreed not to do the work of the strikers.

However, Mr Bob Jones, Nupe's national secretary for the NHS, said the health departments had only two days previously again refused to withdraw or amend their proposals.

The Manchester ourses gave four days' notice of their strike, enabling the hospital to call in other staff.

The hospital said it expected that patients would be fully protected and that no bed closures would be necessary.

Mrs Edwina Curry, junior health minister, described the dispute as "quite daft".

• British industry is becoming increasingly strike free according to the latest provisional Department of Employment figures.

In the year to October 1987, there were 990 stoppages compared with 1,082 in the previous 12 months.

● **Business Law**

Facts of life for company directors

BY MARTIN PIERS AND BARRY DONNELLY

Company directors must conform to a far more stringent code of conduct as a result of insolvency legislation introduced two years ago. It has has set new standards of skill and diligence as part of the effort to sweep scandal and suspicion from the streets of the City of London.

THE NEW UK insolvency legislation is administered by the civil courts, but the new provisions for the disqualification of directors are more like criminal law *offences* in that *they* are attracting criminal law *punishments*.

Some may find this odd, but such creeping "criminalisation" of company law is hardly surprising in view of the way in which new criminal offences have been created to sweep clean the streets of the City of London.

By the introduction of the Company Directors Disqualification Act 1986, the Government sought to give some teeth to the obligations of directors under the Companies Acts.

The courts have had the power to disqualify directors for a number of years, but until recently directors have not faced any real possibility of disqualification for failing to act responsibly as a *director*, whether or not the company is *insolvent*.

Lawyers, the Department of Trade and Industry, and Insolvency Practitioners, have all *now had* a year to determine how the disqualification procedures are working.

So far, there have been *almost* 100 disqualification orders under the new legislation. *The Secretary of State has* established a disqualification *unit of the DTI* which operates out of Companies House in the City. *The staff* of this unit should reach 50 this month and the anticipated level of applications to be assessed will be *about* 85 *a calendar month*, roughly 1,000 each year.

The Government appears determined to deal firmly with directors who are unfit to manage a company.

The new insolvency legislation of 1986 introduced a code of conduct and new standards of diligence and skill for directors which are far more onerous than before.

Should a director commit a breach, he exposes himself to the possibility of a disqualification order being made against him - prohibiting him from taking part in the *management* of a company for up to 15 years.

The legislation has also tightened up the *provisions relating* to disqualifications for unfitness. *Previously, a director had* to be associated with two *successive* insolvencies before he could be disqualified for unfitness; one insolvency is now sufficient.

The "unfitness" itself can be pronoonced by the court by reference to a number of offences including breach of duty owed by a director to the company, a director's part in the *misapplication* of assets, failure to keep proper records, file annual returns and prepare annual accounts and reports.

The longest disqualification period imposed so far is 13 years, but there is not yet an established practice for linking a certain type of misbehaviour with a specific length of disqualification.

The average to date is five years. In one extreme case, a period of three years disqualification was imposed upon a director for failure to file accounts. However, the policy of the DTI is not to punish directors who have made a genuine effort to run their business properly.

A large number of factors must be balanced - such as negligence, recklessness, dishonesty, conduct evidencing unfitness and sheer incompetence. The DTI feels that disqualifications will in time make the business community stronger and healthier by raising the standards of responsibility and freeing the real entrepreneurial spirit by removing those that abuse the system.

Although many people thought that after such scandals as the Guinness affair disqualification of directors from *big companies* would *become* more frequent, in fact most *directors disqualified to date* have been from small *companies in cash businesses.*

In the experience of the insolvency technical department of Touche Ross, the accountancy firm, the typical *victims of the new legislation* are directors of small building or clothing businesses and the like.

Accountants specialising in insolvencies now have a statutory duty to report to the DTI when they find indication of questionable conduct by directors or former directors.

The disqualification unit is sub-divided into cells with each practitiooer being allocated to a particular cell. The DTI hopes that this will enable a close working relationship to be formed and Touche Ross confirms that this system is working well in practice, with practitioners consulting the DTI on any grey areas and erring rather on the side of caution.

The disqualification unit makes applications for disqualification only where there is clear and sufficient evidence, a policy borne out by the fact that there has only been one successful defence to date.

However, there is some concern among barristers specialising in insolvency. First, it goes against their legal upbringing to think in the context of targets for the number of disqualifications.

Secondly, there is a lack of consistency in the approach of the courts, both to appropriate periods of disqualification and the standard of conduct to be expected of directors. *One* school of thought requires "commercial immorality" to be present while the other adopts a stricter and *more* legalistic approach.

If the number of disqualifications rises to the level anticipated by the *DTI*, it will require an expansion of the *Insolvency Bar. There are only* two or three specialist sets of *chambers* which handle this kind of work and some barristers believe that criminal law specialists will become increasingly involved.

The disqualification procedure, with the cross-examination of offenders and the sentencing of those against whom the case is *proven*, seems closer to criminal law than civil law – as does the punishment.

But the required standard of proof is no more than the the civil law balance of probabilities: much less than the proof of guilt beyond reasonable doubt which is required in criminal law. Some comfort can be derived *from* the DTI's intention of proceeding only in the more serious cases.

In assessing the fitness of a director, the relative importance to be given to misconduct *leading* to commercial debts and to misconduct resulting *in* Crown debts (mainly for PAYE and VAT) remains an *unresolved issue*.

The legislation does *not* differentiate *in this way* but the DTI understandably takes the *most serious* view of directors who continue in business by *using* Crown *debts* to *bolster* their cash flow.

The courts have tended to adopt a similar view and have *suggested* that Crown debts are different because the Crown is an *involuntary* creditor. *Insolvency* lawyers and accountants *dissent* from this view and argue that, had Parliament so intended, then the schedule of offences would have specifically dealt with outstanding tax (as has always been the case with the Crown being a preferential creditor).

The *Bar* views Crown debts and failure to keep proper books as symptomatic of recklessness on the part of the directors because the reality of insolvency would have been apparent earlier, had accounts been properly kept and tax been paid.

It may take some time before a "tariff" for the length of disqualification is evolved and the number of disqualifications is stabilised.

Martin Piers is a partner, and Barry Donnelly a barrister, with Gouldens, City of London solicitors

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Twin trip meters	●			
4 Speed heater fan	●			
Lockable glove box	●			
Drivers foot rest	●			
Tinted windows	●	●		
Integral rear head restraints	●			●
Rear wash/wipe †	●	●	●	
Stereo radio/cassette	●	●	●	●
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Gooding Group plans to invest after Servis sale

BY MAGGIE URRY

THE GOODING GROUP has "a hell of a lot of cash" and is planning new investments after the profitable sale of four of its five main businesses, Mr Alf Gooding, its founder, said yesterday.

The privately owned industrial holding company was set up late in 1983 with the profits Mr Gooding, a Welshman, made by selling his steel lintels business to RTZ. It rapidly gathered a group of five main businesses, three acquired from the receiver.

This week's management buy-out of Servis, the domestic appliance company, leaves Gooding Group with only one of the five – Race Electronics – which makes home computers for Acorn and supplies electronics to Jaguar and other companies.

All five were, according to Mr Gooding, "diabolical messes". He said: "Hell's bells, we've turned those companies round into profit and sold them at first-class prices. There are 4,000 people employed in those businesses today, none of whom would have a job otherwise."

He said that what was left in the Gooding Group was, "a hell of a lot of cash and a highly profitable business in Race Electronics." Race's turnover should exceed £40m in 1988.

"When we took that over it employed 100 people and was losing £50,000 a month. Now there are 630 people and it is making five times that a month. We expect to go up to 1,000 by May to produce the orders we've got."

Substantial profits have been made on the companies sold. Servis was bought in March 1985 for £3.75m and sold on Wednesday for £8m. Another business, Porth Decorative Products, which makes artificial Christmas trees and decorations, was sold for £12m in July last year, two and a half years after it was acquired for around £4m.

"The other two businesses sold were Convertec International, a paper and board metalliser, and Wiljay, a designer and manufacturer of pumps and compression equipment.

The cash will be invested in other companies, in areas related to Race Electronics, where Mr Gooding feels he can apply his talents. A former chairman of the Welsh section of the Confederation of British Industry, Mr Gooding said that the secrets of his success were, "sorting out the management and getting financial support from the City."

A private placement of equity in November 1985 raised £8m and gave institutions a minimum 30 per cent stake. But plans to go public this year have been deferred by the fall in the stock market.

Kinnock calls for NHS funds

BY IVOR OWEN

MR NEIL KINNOCK, Labour Party leader, called on the Government yesterday to provide at least an additional £1.3bn for the National Health Service.

Speaking following a visit to St Thomas's Hospital, London, he accused the Government of "fostering" instead of fighting the crisis in the NHS.

Mr Kinnock recalled that £1.3bn – almost exactly the cost of reducing the basic rate of income tax by 1p – was the amount which the Commons committee on social services calculated to be the shortfall in required hospital and community health service funding up to 1986.

Unease among government supporters over its handling of the controversy over the NHS was reflected in a speech at Wembley by Sir Rhodes Boyson, MP for Brent North and former Minister of State for Northern Ireland.

He warned that unless "carefully handled" the health service could become the "Achilles heel" of the Conservative Party during the remainder of the present parliament.

Sir Rhodes advocated the "denationalisation" of the services, particularly the hospital services. They needed to be put in a market while the Government prepared a scheme whereby "all our people can become the genuine paying customers of these services".

He urged the Government to follow the practice of most Continental countries by requiring the consumer to pay for health care through participation in competing private or state insurance schemes.

Dr David Owen told a meeting at Hammersmith organised by the Campaign for Social Democracy, which is spearheading the efforts to preserve an independent SDP, that Conservative MPs were quoting the increased expenditure on the NHS without facing up to the fact that, in many cases, it was producing "lesser health care".

He dismissed Labour's "bed count" campaign as equally unconvincing, and maintained that the real criticism of recent bed closures was that they had occurred in a totally unplanned way as an emergency measure to save money.

Livingstone urges arms cuts

BY IVOR OWEN

PROPOSALS for substantial cuts in military spending and plans for countering the economic recession likely to develop in the next two years must feature in Labour's programme for the next general election, Mr Ken Livingstone, MP for Brent East, said yesterday.

He forecast that the attempts to prop up the dollar would prove as unsuccessful as efforts of past Labour Governments to prevent devaluation of sterling. As a result, the US will be "exporting recession to Europe" as well as reducing its military expenditure there.

Mr Livingstone called a press conference at Westminster to outline the proposals he will submit on Tuesday to the economic and the Soviet Union move towards an agreement to limit strategic nuclear weapons. He said it would be "catastrophic and politically unacceptable" for the Labour Party to be drawn into supporting such a policy.

While stopping short of a formal call for Britain's withdrawal from Nato, the 21-page document calls on members of the economic group to consider big reductions in defence spending. They should be accompanied by intensified efforts to promote improved relations between the countries of western Europe and the Soviet Union.

Such an approach, he said, would release resources for economic reconstruction, social reform and for opposing recessionist tendencies.

Mr Livingstone denied that he was advocating a policy certain to prove unacceptable to the majority of his colleagues on Labour's national executive committee in order to strengthen his group which, as part of Labour's general policy review, is seeking to identify the key issues likely to form the basis for its next attempt to end Mrs Margaret Thatcher's hold on 10 Downing Street.

He contends that a conjunction of events, including the stock market collapse in October and the improvement in East-West relations, had made it imperative for Labour to place itself at the head of the "left in Europe" in formulating a strategy to frustrate attempts to "subvert" the treaty signed by President Reagan and Mr Gorbachev to eliminate intermediate-range nuclear weapons.

Mr Livingstone predicts growing demands for the development of a "Euro bomb" as the US claim to be the most determined advocate of the policies of the hard left.

Glaxo to market Roche heart drugs

BY PETER MARSH

GLAXO, Britain's biggest pharmaceuticals company, has signed a deal with F. Hoffmann-La Roche of Switzerland which will strengthen the UK concern's portfolio in the fast-expanding market for drugs to combat heart disease.

The agreement, announced yesterday, applies only to the US, where Roche, which is Switzerland's third biggest drugs company, is involved in a take-over tussle for Sterling Drug, a US leader in over-the-counter medications.

As a result of the deal, Glaxo's US subsidiary will sell three of the Swiss company's drugs which are under development, all of them aimed at heart disease. The three products are Cipralan, which is due to be marketed later this year, and Inhibace and Inhibace-HCTZ, which are both expected to go on sale in 1990.

Dollar fall may affect Caterpillar production

By Nick Garnett

CATERPILLAR, the US earth-moving equipment maker, said yesterday that if sterling continued to strengthen against the dollar, it would reconsider its sourcing policy for the backhoe loader which is made solely at the company's plant in Leicester.

Caterpillar said the review would look at the possibility of adding an extra source outside the UK and not at the closure of Leicester.

The Leicester plant assembles backhoes – a piece of machinery with a bucket at the front and a digger at the back – for the US market and Europe.

"There are no plans at present as far as changing the source of backhoes," Caterpillar said in response to questions about the impact of the dollar's slide.

"If the pound continues to strengthen against the dollar we could add another source. If another source was added, that might have a minor impact on Leicester employment."

The Leicester plant makes a number of middle-sized lift trucks as well as the backhoe. Its employment has risen from 580 in 1983 to just over 1,000.

Backhoe production started two years ago. Its target was a fifth of the world market in five years. Caterpillar declined to say how many backhoes were being exported to the US.

Mr George Schaefer, Caterpillar chairman, said last February that if the dollar weakened against sterling by 20 per cent from its level then, sourcing of backhoes would have to be reviewed. The dollar was then at $1.50 to the pound.

Some companies in the industry doubt whether Caterpillar can be making any money on equipment exported to the US from Leicester.

Caterpillar declined to comment on that. It said it was selling backhoes as fast as it could make them.

The company said it used a system of "equilibrium" pricing which adopted exchange rates not necessarily comparable with those used on the money markets.

Piano maker Kemble to double output

By Alice Rawsthorn

THE BRITISH piano industry may be experiencing a resurgence after decades of decline. Kemble, the country's largest piano maker, has announced plans to more than double its output by the early 1990s.

Kemble proposes to re-equip and expand its factory in Milton Keynes to increase capacity from 4,000 to 10,000 pianos a year. The expansion programme should add at least 60 jobs to the company's workforce of 180.

Three years ago Kemble started to make pianos in Milton Keynes for the largest Japanese piano maker, Yamaha, in a joint venture. Kemble had been distributing Yamaha pianos since the 1960s.

Yamaha, which now controls both the joint venture and Kemble itself, intends to increase production sharply over the next few years. Most of the additional pianos involved in the expansion programme will be sold under the Yamaha name in the UK and Europe.

Kemble, which has made pianos since its foundation in 1911, also produces its own brand of pianos and manufactures under other names such as Chappell.

Although there were once hundreds of piano makers in Britain, only about half a dozen remain. The industry has declined steadily since its heyday in the 1920s, when it produced more than 60,000 pianos a year.

National Bus offshoot sold

By Kevin Brown, Transport Correspondent

THE NATIONAL Bus Company yesterday announced the sale of its London Country Bus (North West) subsidiary to a management buy-out consortium. The sale price is believed to have been around £5m.

The company is the 57th of NBC's 72 subsidiaries to be sold in a £300m privatisation programme expected to be completed in the spring.

London Country North West was formed only in 1986, when NBC's London Country Bus Services subsidiary was split into four separate companies.

The remaining London Country units are expected to be sold shortly.

Rail wagon rental group sold to Sydney company for £29m

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

PROCOR, the UK's biggest private rail wagon rental company, was yesterday sold by its US parent to an Australian transport group for A$75m (£29m).

Brambles Industries, based in Sydney, said it had bought Procor and Rail Car Services, an associated wagon repair business, from Marmon Corporation of Chicago.

Marmon retains control of Procor Engineering, which builds railway wagons, coaches and specialised rolling stock for transporting nuclear materials.

Brambles said Procor's fleet of 2,600 wagons would be merged into Groupe CAIB, its European rail wagon rental operation, which operates about 35,500 wagons, mainly in West Germany, Italy and France.

Rail Car Services is to be merged with Marcroft Engineering, which maintains the group's existing UK fleet of about 700 wagons.

The acquisitions mark the latest phase in a rapid expansion programme for Groupe CAIB, which last year paid A$95m for Sterni, a French rail wagon and tank container company.

Mr Gary Pemberton, Brambles' managing director, said in Sydney that the French and UK acquisitions would consolidate Groupe CAIB's position as the leading private rail operator in western Europe.

In London, Brambles confirmed that it was considering further acquisitions in "the major economies of Europe," but refused to elaborate.

Procor specialises in renting wagons to industrial customers, principally in the aggregates, chemicals and oils sectors.

The company also operates a fleet of car carriers, which are expected to be one of the main beneficiaries of direct rail links to continental Europe through the Channel tunnel.

Procor has also designed a wagon using small-wheeled bogeys which is being built by Powell Duffryn, the rolling stock manufacturer.

Mr Frederick Swindell, managing director of Procor, said the wagon would be offered to customers shortly, and was expected to be successful because of its ability to carry larger containers than normal.

About 40 per cent of freight wagons running on British Rail tracks are privately owned.

Commercial vehicle sales rise

BY JOHN GRIFFITHS

SALES of commercial vehicles reached a record of 312,730 units last year, reflecting the buoyancy of new car sales, which also reached a record.

At the same time, commercial vehicle imports were sent into retreat for the first time for five years and the second time since 1975.

Industry estimates also show commercial vehicle production up by about 8 per cent and exports up by about 20 per cent at 55,000.

Mr Garel Rhys, professor of motor industry economics at University of Cardiff, said yesterday there appeared to be no immediate reason why the UK industry's current improvement should not be maintained.

His remarks reflected optimism expressed by Leyland Daf 24 hours earlier when it said it expected to produce 14,000 trucks in the UK this year compared with 12,000 last year and fewer than 9,000 a year earlier.

Prof Rhys said continued high investment spending by UK industry and commerce should allow further growth in the commercials sector in the first half of the year. By then, it would start to become apparent whether any loss of confidence caused by the shares crash would affect the market.

"So far, there is no sign of this happening," he said.

Statistics from the Society of Motor Manufacturers and Traders released yesterday for both commercial vehicles and cars showed last year's total commercial vehicles sales to be up 7.39 per cent over the 1986 level of 291,210 units. Sales were also up 4 per cent on the previous peak year, 1979, when 300,565 commercials were registered.

UK-based manufacturers increased their share of the total market from 60.38 per cent in 1986 to 61.89 per cent.

Growth was spread across all the main commercial vehicle sectors except the still heavily depressed bus and coach market, where registrations actually fell by 7.1 per cent to 1,989.

In the heavy truck sector, registrations rose by 7.02 per cent to 57,939 compared with 54,138 for vehicles of more than 35,000 kg gross weight. That was still far below the record 80,000 achieved in 1979 but compares also with the 45,000 units reached in 1982, in the trough of the last recession. It was still higher than many in the industry had predicted.

A move to heavier vehicles and increased transport industry efficiency has led to a general consensus that the heavy truck market is unlikely to exceed 60,000 units for the foreseeable future.

The SMMT statistics showed light vans, up to 1,800 kg, reaching 103,783 registrations, up 4.56 per cent; panel vans of 1,800 kg-3,500 kg up 10.12 per cent at 133,919 (121,613 in 1986) and utility four-wheel-drive vehicles up 7.42 per cent at 15,100 (14,057).

UK heavy truck market leadership was captured by Iveco Ford, with 13,275 registrations, or a 22.9 per cent share, compared with 13,003, or 22.4 per cent, for second-placed Leyland Daf.

UK CAR REGISTRATIONS

	December				Year to date			
	1987	%	1986	%	1987	%	1986	%
Total market	91284	100.00	80888	100.00	2013693	100.00	1882474	100.00
UK produced	44975	49.27	39222	48.49	972968	48.32	828871	44.03
Imports	46309	50.73	41666	51.31	1040725	51.68	1053603	55.97
Ford	30038	32.91	22875	28.28	580119	28.81	515367	27.38
Rover group	12616	13.82	11862	14.66	301811	14.99	297466	15.80
Vauxhall/Opel	12008	13.15	12547	15.51	270778	13.45	284517	15.11
Peugeot/Citroen	6260	6.86	4864	6.01	147368	7.32	121094	6.43
Audi/VW/Seat	2823	2.28	3459	4.28	116188	5.77	115154	6.11
Nissan*	6371	6.98	5817	7.19	114243	5.67	109914	5.84
Renault	2292	2.51	3450	4.27	78694	3.91	69261	3.68
Volvo	4118	4.51	3550	4.39	70880	3.52	68972	3.66
Fiat/Alfa/Lancia	3556	3.89	3850	4.75	74318	3.69	67348	3.58

*It has been agreed that, until Nissan's Sunderland output reaches 60 per cent local content, the vehicles should be treated as if they were completely built up imports from Japan. The country of origin shown in the SMMT's registration statistics is determined by the place of final assembly. Registrations from Nissan's output at Sunderland should therefore be added to the total figure showing Japanese imports.

Source: Society of Motor Manufacturers and Traders

Dual hospital contract signed

BY DAVID BRINDLE

MEDICLEAN, the hospital services contractor, has won what is said to be the first dual contract in the National Health Service for both cleaning and catering.

The company, part of the Hawley Group, has been awarded the £300,000-a-year contract for provision of both services for three years at the National Hospital for Nervous Diseases in Maida Vale, north-west London.

The contract is expected to set a pattern in the NHS. Cleaning contractors are pressing to extend their role in hospitals to embrace not only catering but a whole range of "hotel" services.

All hospitals have been required since 1983 to invite competitive tenders for cleaning, catering and laundry. In the National Hospital contract, the first awarded there, Mediclean will take over the cleaning and will cook and serve food for patients and staff on site.

Mediclean is the most successful company in terms of NHS cleaning contracts and is retained by 47 health authorities.

Mr Mike Davis, the company's managing director, said yesterday that it had been policy to acquire catering expertise. More than half the 140-strong management team had come from catering backgrounds.

"We are finding that quite a good proportion of authorities are talking hard about hotel services contracts, which would include either catering support or full catering," Mr Davis said.

The National Hospitals Special Health Authority said it had wanted, from the point of view of continuity and cost savings, to award a dual catering/cleaning contract for the 86-bed Maida Vale unit. Mediclean had been the only company to tender on such a basis, as well as separately for each service.

Mediclean has set up a sub-division, Mediserve, specially to carry out combined service contracts.

AFBD rule book wins OFT approval

BY ALEXANDER NICOLL

SIR GORDON BORRIE, Director General of the Office of Fair Trading, yesterday cleared the rule book of the Association of Futures Brokers and Dealers in the second of his reports on self-regulatory organisations in the new City structure.

He had two areas of concern about the AFBD's rules, but said there were insufficient grounds at this stage to conclude that the rules would have a significantly adverse effect on competition.

Sir Gordon reached a similar conclusion on the rules of the Financial Intermediaries, Managers and Brokers Regulatory Association in December.

However, he noted in his reports to Lord Young, Secretary for Trade and Industry, that he had a duty to keep SRO rules under review and that Lord Young could force rule changes in the light of later OFT reports.

The OFT is reviewing the possible effects on competition of rule books of all five SROs, as well as of bodies that plan to be investment exchanges and clearing houses in the regulatory framework created under the 1986 Financial Services Act, designed to protect investors.

Sir Gordon's first concern about the AFBD rules was that capital requirements limiting the proportion of a bank guarantee that could contribute to a member firm's liquid capital might create costs and difficulties for members of the London Metal Exchange.

His second concern was that the AFBD's fee structure, which is based on the numbers of employees in responsible positions rather than on transactions, might force smaller traders on the Baltic Exchange to pay an unduly high proportion.

Mr Alistair Annand, AFBD chief executive, termed the OFT report "satisfactory and sound." He said the AFBD had already determined that it would re-examine capital adequacy rules in the light of applications for membership and the effect on applicants.

EC angry at criticism of indirect taxes plan

By Tim Dickson in Brussels

THE EUROPEAN Commission reacted angrily yesterday to British criticism of its proposals to harmonise indirect taxes.

The move follows the publication of an all-party report from the Commons Select Committee on European legislation which highlighted concern about the effect on public health in Britain of cuts in the tax on cigarettes and alcohol if the Commission's proposals were adopted.

The Treasury has told MPs in a memorandum that the right of Parliament and the Chancellor of the Exchequer to fix national policy are at stake.

In an unusual move, the Brussels authorities put out a statement: "In response to press reports about its proposals for the approximation of indirect taxation." It said Britain had known about the objectives of harmonisation since it joined the Community. The Commission also, in effect, rejected suggestions of fiscal imperialism.

The issue is particularly sensitive in Brussels and London because of the role of Lord Cockfield, the British Commissioner who is responsible for the internal market and thus for drafting the tax approximation proposals.

The Commission yesterday recalled the definition of the internal market as approved by all member states as "an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured" and emphasised that that could not be achieved without a substantial degree of approximation of indirect taxation.

The Commission insisted that the aim of the proposals was not "tax reform" but to reflect the existing tax situation in member states. "Overall, the effect in the UK is to produce an increase in indirect taxation but not a dramatic increase in relation to total tax revenue and certainly nothing like as dramatic as the tax changes the UK Government has made."

The proposals for the Community as a whole result in the same tax burden as at present "but, conscious of the argument about smoking and health, the basis we used for taxation of cigarettes resulted in an increase of some 30 per cent in tobacco taxation for the Community as a whole." There was nothing to stop member states, the statement went on, from deciding jointly that they want to increase the general level of taxation of tobacco and alcohol.

Peter Riddell, Political Editor writes: A Conservative backbench campaign is being organised, with unofficial government blessing, against any EC attempt to impose specific value-added tax rates on member countries.

A Commons motion has been tabled which urges the Government to press the UK's EC partners "to allow all member states to retain the right to impose value-added tax from a zero rate to any other rate which in the opinion of such a member state is appropriate."

Japanese company forms Telford base

By David Thomas

OMRON TATEISI Electronics, a leading Japanese maker of control components, has become the latest Japanese component maker to set up a factory in the UK. The company is initially investing £2m to start production in Telford, Shropshire.

There has been a spate of announcements of European plants by Japanese component companies after European Commission anti-dumping actions aimed at increasing the amount of locally made components used in Japanese goods.

Omron will be making electronic control modules for equipment such as facsimile machines, copiers and printers for the main Japanese producers in Europe, including Canon, Ricoh, NEC and Epson.

Mr Hugh Burnett, managing director of Omron's sales organisation in the UK, said yesterday the company was also planning to sell its components to non-Japanese companies throughout Europe.

Omron, with annual sales of more than £1.2bn, has not manufactured in Europe so far, although it has sold electronic funds transfer systems and medical products in the UK.

The chance to bite into a fair slice of Europe

Christopher Parkes on eating into the EC's 'internal market'

THE FOOD and drinks industry might suffer if it does not shake off its apathy and scepticism about the European Community's plan to establish a 12-nation free trade area by 1992.

Manufacturers that fail to keep a close watch on the development of the Community's so-called internal market may face unexpected competition when remaining trade barriers come down, according a recent study by the Centre for European Agricultural Studies at Wye College, University of London.

They may also miss opportunities to take advantage of measures that will give them access to a European market of 320m consumers, while newcomers may move in en masse.

The creation of a single market might attract non-Community food multinationals, which have in the past been deterred by the high costs of setting up in Europe.

The key that may admit them in future is the central aim of the Commonity programme which is that any product that may be sold in any one of the 12 EC member states will automatically be admitted to all the others.

At present the usual way of avoiding national barriers is to build factories in each target market.

The centre compares attitudes in Britain with those in France, where more than two thirds of businesses see completion of the internal market as offering opportunities.

French awareness of the prospects is being bolstered by a government campaign and private and public investment in on-line databases, conferences and general promotion.

"This contrasts markedly with the situation in the UK, where the level of awareness of the internal market programme is very low," the centre claims in its study.

"Where there is an awareness . . . there is some apathy. There is also a reluctance to accept that the programme will be completed and will successfully remove barriers to trade."

British scepticism has been fuelled by slow progress so far on removing the proliferation of non-tariff barriers, and the fact that many of the most difficult issues have not yet been tackled.

Value-added tax, for example, is levied on food in all EC countries except Britain at rates ranging up to 22 per cent in Denmark. The issue is complicated by the British Government's election promise not to charge VAT on food.

Variations in fuel duties distort trade through their impact on transport costs, the report says. To harmonise spirits prices would require changes such as a 50 per cent price cut in Denmark and a 145 per cent increase in Greece.

Progress will also depend on political will and the commitment to the internal market of the chairmen of the Council of Ministers, the Community's main decision-making body. West Germany starts its six-month term in January, followed by Greece and Spain.

However, the centre says British industry should keep abreast of the opportunities and dangers. In a case study on the dairy business, it suggests British cheese, butter and yoghurt makers will in future have access to alternative and possibly cheaper supplies of milk, from Ireland, for example.

The French yoghurt market, at present closed to all but 'live' products, will be open to pasteurised, longer-life yoghurts from other countries.

'Britain would also be able to market currently proscribed goods such as non-dairy milk substitutes and cream.

The Internal Market and the Food and Drink Industry. Inquiries to CEAS Consultants, Wye College, Ashford, Kent TN25 5AH.

MANAGEMENT

Textiles

When the climate for expansion turns cold

Alice Rawsthorn reports on John Crowther Group's prospects

IN BYGONE days when bulls trampled all over the world's stock markets and indices rose effortlessly, a new breed of corporate animal emerged. This was the breed of company which took advantage of the buoyant investment climate to expand rapidly in a whirl of acquisitions.

These companies now confront a less clement climate. No longer able to raise capital for acquisitions from the equity markets, they face the challenge of wringing organic growth from the businesses they bought at such a pace.

John Crowther Group is such a company. In the past two years it has issued streams of shares into a receptive stock market to expand at a frenetic rate by buying more than 20 businesses. As a result, Crowthers, as it styles itself, which began the bull market as a smallish woollen mill in West Yorkshire, ended it as one of the most powerful players in the British textile industry.

Ostensibly its prospects are impressive. The smallish woollen mill has become the largest distributor and the second largest manufacturer of carpets in Britain and one of the biggest clothing companies. It now sports sales of more than £500m and employs 10,000 people in the UK and overseas.

Crowthers has tackled the task of rationalising and restructuring its businesses with gusto. Factories have been closed. Mills have been sold. More than 500 people have lost their jobs. But Crowthers has yet to prove that it can turn its acquisitions into viable businesses.

Even in the bull market the speed with which Crowthers conducted its finely financed acquisitions attracted criticism. But in a rising stock market the voices of the enthusiasts - attracted by its dynamism - tended to drown those of the critics. As the market has tumbled, the critics have come to the fore. Within a few weeks after "Black Monday" Crowthers shares had halved in value.

The story of Crowthers begins in the Yorkshire of the mid-1800s when the John Crowther mill opened in Huddersfield. The fortunes of the mill waxed and waned with those of the wool industry. In its heyday it employed more than 2,500 people, but by the early 1970s it had lurched into decline.

In 1971 Joe Hyman won control of Crowthers. Hyman, one of the legendary figures of the British textile industry, planned to revitalise Yorkshire wool in the 1970s, just as he had Lancashire cotton in the 1960s. He failed.

Hyman stepped aside in 1981 to allow Trevor Barker, a Yorkshire-born accountant, to take over the chair. Barker, who had wrestled with Crowthers' accounts as a young articled clerk, began a programme of cost cutting. The mill's output was steered upmarket and into exports. Unwanted machinery and empty buildings were sold to bail out the business until it returned to profit.

Within three years the recovery was complete. Barker cast about for the "next move", ideally an acquisition of substance to strengthen the company's presence in cloths or clothing.

Instead he joined forces with Michael Abrahams, a long-standing business contact, who was looking for a public vehicle with which to win control of Carpets International, a huge but troubled carpet manufacturer.

Barker and Abrahams are a complementary couple. Barker, at 52, is an affable Yorkshire accountant who chuckles over his accumulated tax losses and cherishes a passion for racehorses. Abrahams is an urbane figure of 50, with a colourful record in the carpets industry and seats on the boards of a string of publicly quoted companies.

Together they set out to buy Carpets International from its US owners. In late 1985 after months of procrastination and a bitter courtroom battle, Crowthers won control.

The acquisition of Carpets International turned Crowthers into one of the most powerful players in the UK carpet industry. Its greatest challenge - and its richest reward - lies in carpets. The way in which the company has approached this sector acts as a useful illustration of its management style.

In late 1985 when Crowthers won control of Carpets International, one of the biggest carpet manufacturers in the country, the industry was in a sorry state. Crowthers had become the second largest company in a sector flooded with cheap imports, bullied by draconian retailers, awash with surplus capacity and cursed by poor management.

Yet, as Barker and Abrahams realised, carpets had enormous potential. First, the industry had been in the hands of lacklustre management for years; second, consumer trends favoured stylish, more expensive carpets. Clearly there was an opportunity to be exploited.

They began the task of creating Crowther Carpets with the same process of cost cutting, closures and job losses with which they had saved the original Crowther mill. Factories closed, brand names disappeared, a quarter of the workforce - more than 400 people - lost their jobs.

After the cuts came reconstruction. Crowther Carpets has emerged with its production concentrated in two sites, Bradford and Kidderminster, and a new marketing and administration centre at Brighouse in West Yorkshire. This process has been accompanied by a fanfare of marketing plans ranging from the redesign of the Kosset and Crossley ranges, to staging this Spring the first television advertising campaign in the industry for almost a decade.

But the grand design has been plagued by problems. The chief stumbling block was that Carpets International was in even more of a mess than Crowther had expected.

Trevor Barker (left) and Michael Abrahams: ambitious strategy

When Crowthers took control of Carpets International, like any other successful predator it searched for inefficiencies to eradicate. The inefficiencies were all too obvious: the proliferation of sales forces; an £8m carpet printing machine which had yet to prove its worth; and the 46 people in the computer department churning out thousands of reports a month.

The problem was that the business was in such chaos that Crowthers' attempts to restore order made things worse. Its attempts to cut staffing in the computer department, for example, were disastrous. The computer itself was hopelessly inadequate. Once Crowthers removed all the people who had been "compensating" for its shortcomings, the system collapsed.

This plunged Crowther Carpets into even greater chaos. The computer problems wrought havoc with deliveries. The computer was scrapped and replaced with another system. The havoc had not only dented retail confidence in Crowther Carpets but delayed its restructuring programme by nine months or so.

Crowthers now claims to have solved the problems. The creation of Crowther Carpets has been messier and more expensive than it expected. But it has emerged as one of the largest carpet companies in the country, with up-to-date production plants and an imaginative marketing strategy.

Next autumn, nearly a year later than expected, the first redesigned Crowther Carpets range will be unveiled. It will then be apparent whether its ambitious strategy has worked.

Crowthers has replicated the same strategy - the grand design, the finely financed acquisitions, the stringent cost cutting, the innovative marketing concepts and the rush - in the clothing industry.

The expansion into clothing rests on the assumption that the structural changes within the retail sector have created demand for a new type of clothing manufacturer. The retailer of today, or so Crowthers believes, wants to source from a company large enough to offer sophisticated support in marketing and design, but sufficiently flexible to respond swiftly to changes in the marketplace.

In order to create such a company Crowthers bought a motley assortment of businesses. Some were profitable concerns. Others were plucked from the clutches of the receiver. In the past year or so Crowthers has rationalised 34 companies with 58 production plants into seven operating divisions with 40 manufacturing units.

Just as in carpets, Crowthers is bursting with new ideas for the clothing industry. It has tackled the clothing industry with the same gusto with which it entered carpets. Again, it has approached a new market with an imaginative and innovative strategy, and again the restructuring has taken longer than expected to complete. "Like all entrepreneurs," says Barker, "I expect things to happen too quickly."

So far the group has been able to rely on two sound and successful businesses - in the woollen cloth and carpet distribution companies - to provide profits and cash while it has struggled with carpets and clothing. The momentum generated by these businesses has also enabled it to lay the foundations for a more solid corporate structure.

The stock market crisis may have accentuated the need for Crowthers to consolidate, but the process of consolidation had begun long before. Over a year ago it introduced a decentralised structure whereby Barker and Abrahams head a group board of four people - soon to be strengthened with the addition of non-executive directors - devolving responsibility for day-to-day management to the divisional heads.

In theory this should leave Barker and Abrahams free to concentrate on strategy and enable the divisional heads to devote all their effort and energy to their particular parts of the business. In practice the implementation of the new structure has been dogged with difficulty.

The progress of Crowthers has been punctuated by senior resignations: one former head of the clothing division stayed for no more than a few weeks after his appointment. But the departure of David Cunliffe this autumn - little more than a year after he joined as head of the carpets division - dealt a bitter blow to the credibility of the new, "more mature" Crowthers.

Time is running out for Crowthers. The bull market tended to be sympathetic to companies with bold designs and bright ideas. The bear market is not.

The onus is now on Crowthers to prove that grand designs and bright ideas can be translated into sales growth and improved profitability.

I'm sorry - I'll read that again

Michael Skapinker on public speaking

ON AN AFTERNOON when sensible people were out doing their last-minute Christmas shopping, I found myself in a London office talking to a video camera about the painful problems that cowboys used to have with the crotch of their Levi overalls.

It is a *riveting story*. Many have winced at it - among them executives from American Express, Peugeot, BP, Saudi International Bank, and other companies - as they too have read it to the camera. The anecdote is part of the Kingstree Group of consultants' training on how to become an effective communicator.

Kingstree, along with the rest of us, has noticed how *many speakers ruin promising material* with leaden delivery and poor timing. Many executives prove the point with their reading of the tale of the cowboys and their Levis.

Why were the Levis so uncomfortable? According to the script that Kingstree gives its clients, the original overalls used to have copper rivets on their pockets and a single rivet at the crotch. It was this lone *rivet which caused the* problems. When cowboys crouched too long at the campfire, they began to suffer from a painful condition known as Hot Rivet Syndrome.

Three generations of cowboys had to endure this hazard. Then in 1933, Walter Haas, the president of Levi-Strauss, went on a camping trip to the High Sierras. One night, beside a crackling campfire, he too fell *victim*. At the next board meeting, the directors voted the crotch rivet into extinction.

The story seems a perfect beginning to a speech on how important it is for managers to put themselves in their customers' shoes - or overalls. It should also get a laugh from the audience.

Later, when I watched my own rendering of it on the video, I realised I would have been lucky to raise a few polite smiles. It was all too obvious that I was reading material that had been written by someone else.

Lee Bowman, Kingstree's managing director, says he encourages clients to try to get their own personality across, rather than attempting to learn someone else's public presentation techniques.

The Kingstree trainers begin each session by asking clients about their work and their previous public speaking experience.

The Levis exercise follows. Like many Kingstree clients, I did my best to read the story *fluently*.

The result, according to John Miers, my tutor, was like pouring oil too quickly into a funnel. I was giving my audience too much to take in at a time.

He asked me to start reading from the beginning again. This time he asked me to slow down. Look down at the script only briefly, he said. Just long enough to take in a few words. Then look at the camera for a while before you say the words. Carry on looking at it after you have spoken and only then return to the script.

The result seemed slightly ridiculous. "Some three," lengthy pause, "generations of cowboys," protracted silence, "suffered with this," pause, "unusual occupational hazard."

That, Miers said when I had finished reading the story, was far easier to follow than the original *"fluent" attempt*.

I looked disbelieving. The camera, however, never lies, and we settled down to look at my various efforts on the video.

I discovered that, apart from my two readings of the anecdote, Miers had also secretly filmed our original chat. Watch where you pause in your everyday conversation, Miers said. All over the place, I *noticed*. In the *middle* of sentences. Halfway through a thought.

We then watched my two attempts at the Levis story. As unnatural as the second reading had seemed, I had to admit that it bore a closer resemblance to real conversation and was significantly easier to listen to.

Kingstree does not recommend the second method as a permanent public speaking technique. Real clients, who pay up to £500 a session, will come back for more training.

All the first session aims to do is encourage managers to use their own conversational style. "That's your standard of excellence," Miers said. "And you can't change it. Anything else looks phoney."

TECHNOLOGY

Giving a voice to those who cannot speak

Peter Marsh reports on systems which help the severely handicapped to communicate

Professor Stephen Hawking of Cambridge University: His system has allowed him to continue his job, including lecture trips as far afield as the US and Soviet Union.

"IT'S made all the difference. I would not be able to do my job without it." The speaker is Professor Stephen Hawking, a world-famous expert on theoretical physics at Cambridge University.

It is not, however, Hawking's voice which can be heard but that of a computerised synthesiser, which he controls via two plastic switches held in his fingers.

Hawking cannot talk. As a result of a rare nerve disease, he is paralysed, apart from a small amount of movement in his neck and hands.

He lectures and writes papers using an electronic system based around two Dataview and IBM computers. These flash up, in a controllable sequence, on a TV-type screen, the letters of the alphabet together with 2,600 words in a personal vocabulary which Hawking has selected.

By pressing a switch at the appropriate moment, Hawking can cause a letter or word to be printed on a screen, and at the same time the synthesiser converts this into speech.

The system, which the 45-year-old professor has had for about 18 months, has enabled him to continue his job. One of the computers is fitted to his wheelchair and Hawking has taken it with him on lecture trips as far afield as the US and Soviet Union.

The professor appears highly proficient with the equipment and can use it to "speak" at about 10 words a minute. "It is slow," he says, "but so much better than anything else."

Computer systems such as this one are starting to help severely handicapped people who have difficulty talking or writing.

Technology, however, is only one aspect of the problem as the people concerned often cannot function without round-the-clock nursing. Moreover, companies trying to make a business out of selling such equipment frequently run into difficulties because of the small and fragmented market and the degree of servicing and monitoring of users that is required.

Barry Romich, who has sold electronic communications systems for handicapped people since 1966, says that as much as anything people in social-services professions dealing with disabled people have to be educated about the new equipment *becoming* available. "Technology will get you only part of the way. Support systems and development of specific applications are highly important."

Romich is president of Ohio-based Prentke Romich, the main products of which are Light Talker and Touch Talker, devices which "speak" in a similar way to Hawking's system and are controlled either by switches or buttons. The company, which employs 60 people, sells about 1,500 of these products a year, at between £2,000 and £2,800 each.

The largest single group of users of the equipment, which is available in Britain through Liberator, a company based near Grantham, Lincolnshire, consists of school children with cerebral palsy. Other customers include victims of strokes, spinal injuries or of diseases such as multiple sclerosis.

Trevor Sutton, managing director of Liberator, says that a key part of his sales strategy is to provide training both to the people using the systems and to their "carers", usually a parent or social services worker. Statistics on how many people are affected by severe communications difficulties are difficult to come by, but Sutton believes that some 300,000 people in Britain could be helped by equipment that aids talking or writing.

David Mason, who has set up a Cambridge-based company called Cambridge Adaptive Communication to sell similar aids, says he is "increasingly optimistic" about making a success of his business. Mason plans either to build communications systems around ordinary computers with voice synthesisers added - he helped Hawking with his system - or to sell US-made speech equipment sold by Adaptive Communication Systems of Pittsburgh.

The Pittsburgh concern makes two basic products, Alltalk and Speechpac, selling for up to about £2,500, which users control to "speak" a vocabulary of thousands of words. The company makes its own voice synthesisers. Other leading companies in synthesisers for disabled people, which can cost anything from a few hundred pounds to £6,000, include Votrax, Street Electronics and First Byte of the US, and Sweden's Infovox.

Arlene Hanobik, customer services manager at Adaptive Communication Systems, says Alltalk and Speechpac sell at the rate of about 500 a year.

In Britain, the main support services for people with severe communications handicaps are provided via six hospital-based centres funded by the Department of Health and Social Security. The Department of Education and Science also finances two support units for children with communications difficulties, at Oxford and Oldham, near Manchester.

Patrick Poon, a Coventry-based consultant in communications technologies, says that computerised systems to help these people can be provided for as little as £1,000-£2,000. "The main problem is money for the support services. The centres are run on a shoe-string and have difficulty coping with demand."

Another difficulty concerns servicing. Poon believes there are about 50 companies in Britain - most of them very small - selling communications systems for the handicapped. In some cases the quality is poor and maintenance of the products is virtually non-existent.

The Inner London Education Authority runs a centre, in Charlton, south London, to provide communi*cations equipment*, based either on Apple computers or adapted typewriters, for 170 children in schools for the physically handicapped. The future of the centre is under threat as a result of uncertainties about the role of ILEA under pending Government legislation.

Myra Tingle, director of the centre, stresses that the systems can make a significant difference to many of the children and in some cases prepare them for work when they become adults.

"But a lot of the problems are to do with general access and whether the person has help doing things like going to the toilet. I have a feeling that, sadly, a lot of the children when they leave school are not fulfilling their potential and are sitting at home watching the TV."

How hull construction is being revolutionised in Cowes

BY STUART ALEXANDER

IN ONE of the less fashionable parts of Cowes on the Isle of Wight a literally revolutionary approach is being applied to the construction of a yacht destined for the grand prix circuit of Europe in the 1988 season.

On the first floor of the yard occupied by Vision Yachts, what looks like two massive cigars are suspended nearly four feet in the air. At either end an inverted A frame hangs from the ceiling not just holding them but allowing them to be rotated freely through 360 degrees.

These cigars are the moulds for the outer and main hulls of a trimaran. Round them are wrapped layers of glass and carbon fibre cloth, on which is laid a honeycomb sandwich and then more cloth to form the outer skin.

In most respects this is standard procedure. But a crucial element is radically different and is designed to give the trimaran - a Formula 40 grand prix racer - a speed advantage.

The objective of the design team was to maximise the power to weight ratio, while at the same time reducing drag caused by *too much contact* with the surface of the water. The team - Ed Dubois, Jo Richards and Derek Clark - has worked together on Britain's Blue Arrow America's Cup challenger as well as on a previous yacht for Stephen Fein, the owner of the new trimaran.

The Formula 40 project is much more commercial than the previous boat, the Sardinia Cup and Fastnet winning one-tonner Full Pelt, and is likely to lead to the team joining the ranks of sponsored boats drawn from France, Italy, Belgium and the US.

In order to reduce the wetted surface it was decided that not only would the windward hull be induced *to fly clear* of the water, the main, central, hull would too, leaving just the leeward hull in the water, aided by the stabilising and directional effect of the lower part of the keel from the main hull. This meant building extra flotation volume into the outer hulls to avoid the increased drag that would occur if they were largely submerged while carrying all the weight and effort of the yacht.

At the same time the main hull was to have sufficient volume to keep the yacht upright in light airs, and so have both the outer hulls clear of the water and causing no drag. All this extra volume implied more weight of hull *material*, and that was unacceptable. So the search was on for a source a major weight saving.

Normally when building a boat, the hull is formed around or within one mould and the deck is moulded separately. The two are then joined together, but, in order to achieve the necessary strength, this hull and deck join calls for the use of a lot of extra glass fibre. In the case of a trimaran this would be tripled. As the main hull is, as the class name implies, 40 feet overall, and as the outer hulls are nearly as long, this meant over 240 feet of hull and deck join, with all the weight of bonding material which that implies.

So the team decided to build the hulls in one piece. This they now do by first laying a glassfibre layer round the mould. To this is added two layers of carbon fibre cloth, each laid at an angle of 45 degrees from straight and in opposing layers. The total thickness of this inner skin is just one millimetre. Onto it is placed a 15mm Nomex honeycomb core of the sort of resin impregnated paper used in the aircraft industry. Then two more layers of carbon fibre cloth and the outer surface of glassfibre.

The whole lot is cooked in an autoclave, an oven which, using a simple vacuum bag made of polythene and variable pressure fans, produces about half an atmosphere, or seven pounds per square inch, keeping the laminate pressed tightly against the mould.

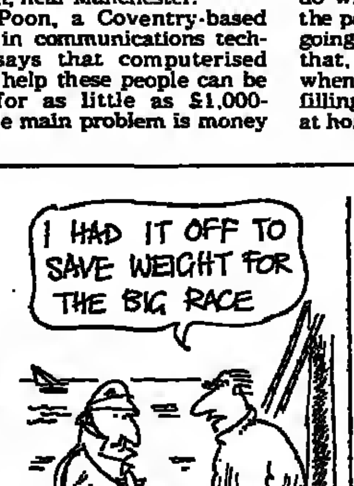
The result is 40-foot floats which, including reinforcing bulkheads, weigh only 100 kilogrammes. The float is cut at an angle of 45 degrees at the point of maximum beam and depth, and pulled off each end of the mould. The two halves are then joined together again, making about 10 feet of join rather than over 80 feet on each *hull*. *That means* the mould can be re-used, that only one has to be made, and that both floats are identical.

In the case of the main hull the same process is used except that, when complete, a hatch is cut in the stern deck, where there will be a hatch anyway, and a man is sent inside to chip out the mould bit by bit. No join weight at all.

Where the fittings will be attached to the hulls, the Nomex core is replaced with high density foam and there is special reinforcement for the fixing of the beams holding the outer hulls to the main hull. These are being made using the same construction process as the hulls and will give the yacht a total width of about 35 feet.

This combination of turning on a spit and boiling in a bag means that the British boat will be well under the minimum weight, allowing compensating ballast to be carried, while at the same time giving the extra flotation qualities which are called for in the design.

The team has already announced that it is bringing some new thoughts to the development of a wing *mast* and has asked an expert who is also a member of the crew to look at the aerodynamics of the rigging in order to reduce drag further. It is *also* clear that the whole project, while an attempt to win in the highly commercial circuit of Formula 40s, is being assessed in terms of building much larger racing boats, an area of sporting and technical endeavour that becomes deadly serious in such events as the America's Cup.



Mitsubishi improves surface mountings

By Geoffrey Charlish

ELECTRONIC CIRCUIT boards can be made even more powerful and compact using a smaller surface mounting style for "chips" and other electronic components. This is being offered by Mitsubishi Semiconductors of Japan.

In surface mounting, the metal legs of conventional components are replaced by pads which *enable the* component to be soldered directly on to the circuit track side of the board. Mitsubishi's packages typically have just over half the area and a quarter of the volume of the previous types, and the component height is halved from 2.4mm to 1.2mm.

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
8	9	10	11	12	13	14

Theatre

LONDON

The Rover (Mermaid). Jeremy Irons roisters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. It plays in repertoire with the Chernobyl play, **Sarcophagaa**, an urgent but clumsily crafted hospital drama. (236 5568, 638 8891).

A Man For All Seasons (Savoy). Charlton Heston begs no favourable comparison with Paul Scofield as Sir Thomas More in a leaden production of a play best left to amateurs and schoolchildren. (836 8888).

Antony and Cleopatra (Olivier). Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life. Judi Dench and Anthony Hopkins are battle-scarred lovers on the brink of old age. (928 2252).

The Phantom of the Opera (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. (839 2244, CC379 6131/240 7200)

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. (836 3028, CC 379 6585).

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928 2252).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221-1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children' poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262).

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film, like Shuffle Off To Buffalo, with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace). With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626)

I'm Not Rappaport (Booth). The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not adherence to its source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile and deft actor preferably British. (947 0033).

WASHINGTON

Light up the Sky (Arena). The revival of the Moss Hart comedy features theatre people waiting for the opening-night notices of their latest masterpiece. (488 3300).

CHICAGO

Pasalon Play (Goodman). Peter Nichol's clever twinning of the major characters as they conduct a duplicitous affair adds a sharp edge to the view of contemporary life in London. (443 3800). Ends Feb 13.

TOKYO

35 Steps (Aoyama Theatre). Song and dance with the Shiki Theatre Company which specialises in musicals and celebrates its 35th anniversary this year. The evening features 35 extracts from Shiki productions – from West Side Story to Phantom Of The Opera. (0120 489444). Ends Feb 21.

Kabuki (*Kabuki-Za*). Tokyo's main Kabuki theatre is celebrating its centenary with a year-long festival featuring perennial favourites and new works. The morning programme this month includes Kanchinjo, in which the wily servant outwits his master's pursuers. The afternoon programme has another popular piece, Sukeroku. Excellent earphone commentary in English. (541 3131).

Exhibitions

LONDON

Tate Gallery. Turner in the new Clore Gallery. The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the walls in the principal galleries is a far cry from the *rich plum he is known to have preferred*. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Centre Georges Pompidou. Lucien Freud chose the 83 paintings for his first retrospective outside England. *Apart from a portrait of Francis* Bacon and a series of portraits of his first wife, the exhibition is dominated by his figurative nude portraits of the past 30 years. Closed Tue. (427 71233). Ends Jan 24.

Galerie Odermatt-Cazeau. Maximilien Luce. Luminous and well-structured, he adds realistic images from a working-class universe to many of the impressionist's themes of the Seine, the Thames and Saint-Tropez. 85 Bis, Rue du Faubourg, Saint Honore (4266 9258). Ends Jan 30.

Musee des Arts Decoratifs. More than a thousand wooden toys from as far afield as Greenland, Mexico and Russia carved by 18th century woodcutters or modern designers recreate the enchanted childhood world of villages and dolls, horses and trains. 107 Rue de Rivoli (42603214). Ends Feb 14.

Grand Palais. Treasures of the Celtic Princes. Prestigious archeological finds from what is, nowadays, France, Germany and Austria, bear witness to a luxury-loving civilisation which flourished in the Celtic universe. Bronze armour, cauldrons, the crater from Vix, all imported from Greece or Etruria. (42560924). Ends Feb 15.

WEST GERMANY

Munich. Staatsgalerie Moderner Kunst shows sculpture from East Germany. A result of the cultural agreement of May 1986 between East and West Germany, this exhibition covers four decades in 130 sculptures, some larger than life, *and about 60 paintings of sculptures* by 51 artists. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stotzer, Hermann Glockner, Waldeman and Sabine Grzimek, Ingeborg Hunzinger and Franziska Lobeck. Ends Jan 3.

Mannheim, Stadtische Kunsthalle. Sculpture from East Germany – see above. From Jan 23 to Feb 21.

Munich, Kunsthalle der Hypo-Kulturstiftung, Rene Magritte 1898-1967. This is the first extensive retrospective of the Belgium surrealist shown in Germany. 140 works from museums and private collections in Europe and the US will seek to refute criticism that he was not concerned about what he was drawing. Theatinerstr. 15. Ends Feb 14.

Stuttgart, Galerie der Stadt. Max Ackermann (1887-1975). The 100th anniversary of his birth commemorated by a comprehensive retrospective with 80 pictures from the main periods of his working life. Schossplatz 2. Ends Feb 21.

ITALY

Rome, Palazzo dei Conservatori Campidoglia. Hidden Treasure: The Imperial Silver Collection From Kaiseraugst. An extraordinarily fine collection of silver tableware *dating from 350 AD, hastily buried* by two Roman generals, Marcelliano and Romolo, when the Castrum Rauracense (the site of the modern village of Kaiseraugst) on the northern perimeter of the troubled Roman Empire was threatened with barbarian invasion. They clearly intended to collect their possessions once the danger was past. The treasure was discovered in 1962, during excavation work for the foundations of a school. 254 pieces – weighing 37 kilograms of 97 per cent pure silver, reckoned to correspond in value to one year's pay for 140 Roman soldiers. The portraits on the 167 fine coins and ingots have made it possible to date the collection precisely. There are delicately-curved, long-handled spoons, some silver beakers (glass *was already more fashionable*), serving dishes – one splendid octagonal, one decorated with a frieze recounting the life-history of Achilles, and another rectangular, decorated with a charmingly improbable fish, and an elaborate candlestick with markedly oriental decoration, inlaid with gold. Ends Feb 14.

Milan, Palazzo Reale. Eighteenth Century Italian landscapes from private collections organised by the equivalent of the British National Trust, the Fondo Ambiente Italiano. The exhibition includes 70 delightful landscape paintings, divided into three major groups or schools – the Roman (Van Wittel and Hendrik-Frans Van Lint), the Venetian (Canaletto, Bellotto, Guardi) and the Neapolitan (Joli, Bonavia, Tommaso Ruiz and Pietro Antoniani. Ends Jan 17.

NETHERLANDS

Amsterdam, Van Gogh Museum. The complete graphic work of Toulouse-Lautrec. Ends Jan 17.

Amsterdam Historical Museum. Contemporary photographs, utensils, menus and registers chart the rise and heyday of Amsterdam's grand hotels from 1860 to 1914. Ends Jan 17.

Leiden, Rijksmuseum voor Oudheden. Manuscripts, books and maps spanning 1,000 years of scientific imagination and knowledge. Ends Jan 17.

NEW YORK

Metropolitan Museum. 200 objects from the Age of Sultan Suleyman the Magnificent demonstrate the wealth and skills at the high point of the Ottoman empire in the 16th century through the large selection of illuminated manuscripts, the imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

WASHINGTON

National Gallery. A centenary retrospective of Georgia O'Keeffe includes 115 oil paintings and drawings, among them rarely seen examples from her familiar New Mexico landscapes, exotic flowers and still lifes. Ends Feb 21.

CHICAGO

Art Institute. More than 80 drawings of early 19th-century architect Friedrich Weinbrenner show his influence in rebuilding Karlsruhe and Baden Baden as well as doing numerous commissions for German royalty. Ends Feb 28.

TOKYO

Seibu B Forum, Shibuya. Toshio Arimoto. This promising artist died two years ago at the age of 38. He was greatly influenced by the fresco artists of the Italian Renaissance, notably Piero della Francesca and created a distinctive world featuring forceful women in serene settings. Ends Jan 19. (462 0111).

Nezu Museum. Japanese swords and fittings. Objects of beauty as well as instruments of death, these swords are elegant in shape, line, texture and design. The exhibition features 60 items from the museum's collection. Afterwards, take a stroll in the densely wooded garden, lovely at all times of the year, and forget you are in the heart of the metropolis. (400 2536). Ends Feb 7.

Music

PARIS

Tallis Scholars. English Renaissance Music by Tallis, Byrd, Sheppard (Mon). Saint-Germain L'Auxerrois Church. (42 30 15 16).

Orchestre National de France conducted by Vaclav Neumann, Christa Ludwig, mezzo-soprano. Mahler's Lied von der Erde (Mon). Theatre des Champs Elysees (47 20 36 37).

Christiane Eda-Pierre, Soprano, Alexandre Tharaud, Piano: Schubert Lieder, Ravel, Chopin (6.30pm): Trio Rostropovitch/Mutter/Giuranna: Beethoven (8.30pm). Both concerts Monday, TMP-Chatelet. (42 33 44 44).

Ensemble Orchestral de Paris conducted by Antonello Allemandi, Pascal Roge, Piano: Faure, Saint-Saens, Beethoven (Tue). Salle Pleyel. (45 63 07 96).

Orchestre Francais d'Oratorio conducted by Jean Perisson with Elisabeth Brasseur's choir: Mozart (Tue). Saint Roch Church. (42 61 93 26).

Orchestre Colonne conducted by Philippe Entremont: Haydn, Mozart (Tue). Theatre des Champs Elysees. (47 20 36 37).

Orchestre de Paris conducted by Semyon Bychkov, Peter Serkin, Piano: Stravinsky, Berlioz (Wed, Thur). Salle Pleyel. (45 63 07 96).

NETHERLANDS

Amsterdam, Concertgebouw. The Netherlands Philharmonic under Horia Andreescu, with Liana Isakadze, violin: Tchaikovsky, Shostakovich, Dvorak (Tue, Wed).

Amsterdam, Recital Hall. The Amsterdam Loeki Stardust Quartet: Frescobaldi, Jenkins, Sweelinck, Bach (Tue). Ruud van der Meer, baritone, accompanied by Rudolf Jansen: Vaughan Williams, Brahms, Mahler, Faure, Duparc, Chausson (Wed). Anner Bijlsma, cello, with George Pieterson, clarinet, and Gerard van Blerk, piano: Weber, Schumann, Brahms (Thur). (71 83 45).

The Hague, Philipszaal. The Hague Philharmonic: Mozart, Vogel, Bartok, Brahms (Wed). (60 93 10).

Groningen, Oosterpoort. Frans Bruggen and Sour Cream: De Machaut, Kondo, Lloyd, Boeke, Bach, Cornysh (Tue). Renaissance vocal music from the Scholars (Thur). (13 10 44).

Eindhoven, Globe Theatre. The Wilanov Quartet: Beethoven, Szymanowski, Bartok (Thur). (11 11 22).

ITALY

Rome, Auditorium in Via della Conciliazione. Juri Termirkanov conducting Sibelius Dvorak (Mon and Tue). (65 41 044).

Rome, Teatro Olimpico (Piazza Gentile da Fabriano). Claudio Scimone conducting Solisti Veneti and the Ensemble de Trompettes Guy Touvron. Handel, Vivaldi, Bach and Haydn (Wed). (39 33 04).

Rome, Oratorio del Gonfalone (Via del Gonfalone 32/A). Works for oboe and string quartet by Boccherini, Bach and Mozart (Thur). (68 75 952).

Milan, Teatro Alla Scala. Tenor Peter Schreier accompanied by Norman Shetler. Beethoven (Mon). (80 91 26).

NEW YORK

Juilliard String Quartet. All-Brahms programme (Tue); Marc-Andre Hamelin piano recital. Ives, Haydn, Liszt (Wed). Carnegie Hall. (24 78 00).

New York Woodwind Quintet play original instruments. Mozart, Krommer, C.P.E. Bach (Mon); Gilbert Kalish piano. Mozart, Roseman, Picker, Thuille (Tue). Merkin Hall (Goodman House). 67th w. of Broadway (36 28 719).

Chamber Music at the Y. Jaime Laredo director. Schubert, Mozart (Tue, Wed). Kaufmann Hall. 1395 Lexington Av. (83 18 603).

New York Philharmonic (Avery Fisher Hall). Zubin Mehta conducting. Yvonne Loriod piano, Jeanne Loriod, ondes martenot. Messiaen (Thur). Lincoln Center (874 2424).

Waverley Consort (Alice Tully Hall): Celebrating Eleanor of Aquitaine and her world with 12th century music and verse when the troubadours flourished under the patronage of the queen of two realms (Thur). Lincoln Center. (36 21 911).

WASHINGTON

National Symphony (Concert Hall). Giuseppe Sinopoli conducting. Salvatore Acardo violin. Verdi, Mendelssohn, Mahler (Thur). Kennedy Center (25 43 776).

CHICAGO

Chicago Symphony (Orchestra Hall). Esa-Pekka Salonen conducting. John Browning piano. Haydn, Bartok, Nielsen (Thur). (43 58 111).

TOKYO

Zoltan Kocsis (piano) Mozart, Liszt, Schubert. Tokyo Bunka Kaikan recital hall (Mon) (57 33 568).

Robert Bickerstaff (baritone) with Shun-Ichi Ohba (piano). Handel, Brahms, Verdi, Leoncavallo. Koraku Eminence Hall. (Mon) (95 41 580).

Continued on Page 11

Cinema/Nigel Andrews

Milked for moral frissons

Four Adventures Of Reinette And Mirabelle (U) Chelsea and Renoir cinemas
The Beekeeper (18) Renoir
The Strike and The Yob (15) Scala
The Stepfather (18) Cannons Haymarket and Tottenham Court Road
Near Dark (18) Cannon Panton Street
The Woo Woo Kid (PG) Prince Charles
Sarraounia ICA

Hands up all those who knew that this was European Film Year?

As I thought. The little-publicised event threatens to slip past us completely unnoticed. And one cannot help suspecting that the low impact of European Film Year is due to the low impact today of – European films. Twenty years ago, the continent was nourished and watered by the works of Godard, Truffaut, Bergman, Pasolini and others. Today, the cinephile could walk from Bruges to Istanbul and his genius-divining rod would scarcely twitch at all.

The best names our distributors can conjure for the new year are Eric Rohmer and Theo Angelopoulos. Rohmer's *Four Adventures Of Reinette And Mirabelle* is his umpteenth skittish comedy of manners and morals: once more sliding a young heroine like a hockey puck around the treacherous ice-rinks of adolescence. Angelopoulos's *The Beekeeper* (*O Melissokomos*) is another heavyweight fable from the director of *O Thiassos*, *O Megalexandros* and other vocative-titled blockbusters of the Greek soul.

Rohmer's film is slighter but sharper. A country girl (Joelle Miquel) falls into friendship with a city girl (Jessica Forde), and after one "adventure" in rural setting they move to Paris to share a flat and enjoy the three more "adventures" promised in the title.

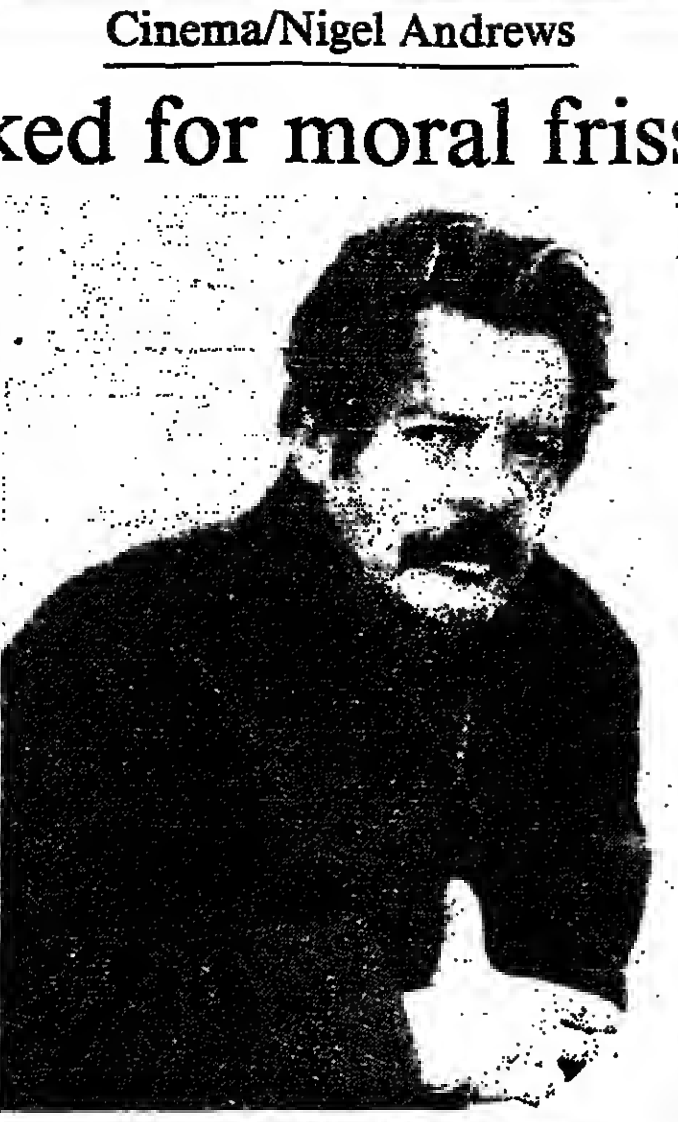
But do not expect dangers, derring-do, or *Daisy Pulls It Off* French-style. Adventures, for Rohmer, mean simply – or complexly – everyday encounters milked for all their moral or mirthful frissons: a sour-tempered cafe waiter; a beggar; a shoplifter; a talkative art dealer. Reinette and Mirabelle rub up against them all, and then go back to their flat to argue with each other over whether the rubbing has polished their souls or bruised them.

At best the movie, delightfully played by Miles Miquel and Forde and full of pen-and-ink minor characters deftly drawn, is very funny. And it can also be touching, as when the girls hold vigil in the country for the magical "blue hour:" a pre-dawn silence between the closure of the frogs' chorus and the opening of the birds'.

But at worst, whenever it sags, the film can also seem arch and inconsequential. One sometimes wonders if Rohmer does not turn these movies out by the metre: if somewhere in the Ile de France there is the "Rohmer-matic," a monstrous machine programmed to produce whimsical anecdotes, pretty heroines, loquacious dialogue and takeaway morals at the touch of a button.

Angelopoulos's movies seem equally programmed, but with grimmer results. Feed into your computer the following: two hours or more of lowering Greek landscapes, a hero bowed by the world's cares, a virtually non-existent plot, and acres of plangent, existential silence.

Then press the right switch and out comes *The Beekeeper*. Marcello Mastroianni is the distressed Greek schoolteacher with the walrus moustache. On the day of his daughter's wedding, he walks out on his wife and home. No reason given: presumably to "find himself." He goes beekeeping. He visits a dying French pal from the war years (Serge Reggiani). And he takes up with a young girl hitch-hiker



Marcello Mastroianni in "The Beekeeper"

(Nadia Mourouzi), footloose and free in her sexual fancies, who one assumes is meant to be the spirit of Modern Youth.

The adventures of these two, glooming through the hinterland, is about as riveting as watching sheep grow. The girl never seems more than an ambulant symbol. And we learn almost nothing about the Mastroianni character's past because of course he does not have one, except in old Antonioni movies. His eventual humiliation at the girl's hands – yes, she loves him and leaves him – is the oldest story in the book told here in the most laborious and pretentious way.

Fifteen years ago Angelopoulos directed the dour but majestic *The Travelling Players*: a 4-hour interweaving of Greece's past and present, in which not a minute was wasted. Perhaps he went on to believe that large time-spans automatically produce epic imaginings, and great thoughts are born in expressionless acting performances. What ever the reason, the style has taken over and the vitalising ideas and emotions have dried up. Every new Angelopoulos film is a very large drum beating a very hollow sound.

*

Elsewhere, an entire year's miscellany seems to have been packed into the first week of 1988. For laughter, please apply to the Scala cinema. At least half of the Comic Strip double-bill of *The Strike* and *The Yob* had critics chortling over their luminous pencils. What would happen, asks *The Strike*, if Hollywood bought the rights to the story of the Miner's Strike? Would it cast Al Pacino and Meryl Streep as Mr and Mrs Scargill? It would. Would it provide a climax in which our Arthur bursts into the House of Commons to save and unite the nation? It would. And would it, with judicious distribution of cobbles and fake moonlit backdrops, turn a real Welsh mining village into something between *How Green Was My Valley* and *Mary Poppins*? The Comic Strip team, digging for coal, strike gold. Peter Richardson, who co-wrote and directed, plays Pacino to the Method mumble born. And Jennifer Saunders (Streep), Robbie Coltrane, Dawn French and Rik Mayall provide doughty support.

The other film, a lame Jekyll-and-Hyde romp set in Swinging 80s, is more optional. Instead, Jekyll-and-Hyde fans might try the thriller *The Stepfather*. Several-times-married Jerry Blake (Terry O'Quinn) believes in the traditional family values: love, loyalty, togetherness, caring parents and obedient children. Whenever a family of his fails to live up to these values, he stabs them all to death. Then he changes identity, goes to another town and marries into another family.

O'Quinn is sleekly schizophrenic as the serial Stepdad. Shelley Hack (new wife) and Jill Schoelen (new stepdaughter) scream up a storm as the last-reel horror approaches. And Joseph Ruben (of *Dreamscape*) directs the faintly loony shenanigans with a straight face.

Not even the straightest face, however, could save Kathryn Bigelow's *Near Dark*. Vampires clump through the modern-day Midwest, recruiting a young farm-boy (Adrian Pasdar) who can only be de-vampirised by the love of a good woman (Jenny Wright) and a special blood-transfusion operation.

I had not heard of this last anti-vampire option. It is clearly one of those new operations which are helping modern health costs to soar. It saves the boy, but the film itself needs more drastic treatment. Possibly a script transfusion, followed by a week's convalescence at the James Whale Home for Seeing How These Films Should Really Be Done.

Perhaps – looking on the bright side – we are getting all the year's clinkers out the way in the first week so we can enjoy the rest of 1988.

We shall certainly enjoy not having to see *The Woo Woo Kid* again. In mid-1940s America – we know it is the mid-1940s because that accursed Glenn Miller tune is playing everywhere – we watch a boy grow up to become a mini-Don Juan. He keeps marrying older women. Named Ellsworth Carver Jnr (Patrick Dempsey), and based on a real headline hero of the time (still living), he is soon nicknamed "the stud." Or Steve the Rabbit. He achieves nationwide fame. At 14 he marries an older woman (Talia Balsan). The same year the marriage is dissolved and he runs off with another older woman (Beverly D'Angelo). He is on the radio. In the newspapers.

I feel as if I am trying to sell this film to you. But it is difficult to summarise a movie that has no point as if it has a point. Drooling with spurious nostalgia, this war's-end rake's progress drags on like some shaggy-dog story that has forgotten why on earth it started out and where on earth it is supposed to be going. Phil Alden Robinson wrote and directed. It is his first feature film and I am sure we all wish him better for his second.

You should perhaps, all things considered, see *Sarraounia*. Med Hondo's sweeping colonial canvas, in which we (the whites) do frightful to them (the blacks) in disaffected Africa, 1930, comes from Burkina Faso and is on show at the ICA. Fine images, not-so-fine dialogue, but a better offering than most of the non-African films this week.

Davis's Sibelius/Barbican Hall

Max Loppert

In Wednesday's concert the London Symphony Orchestra under Colin Davis performed Sibelius's Seventh Symphony and *Swan of Tuonela*. Sir Colin is one of the best Sibelius conductors; over the years he has achieved complete mastery over the Seventh's continuously evolving structure. The pacing of a work that needs to be kept flowing and growing throughout its various component sections was invincibly authoritative. The slow, steady process of melodic generation was unfolded in the unforced, acutely understanding way that proved cumulatively thrilling, and struck to the centre of the musical substance.

It was not, however, the totally concentrated reading that might have been hoped for: the LSO was on erratic form, and so finely honed ensemble passages and untidy passages sat side by side. The orchestra gave the impression of requiring another rehearsal or two if the spotlighting of departmental weaknesses was to be less cruelly exposed in the opening; those first, fast *scherzando* scurryings that creep in midway appeared to catch the violin players by surprise. The trouble with Sibelius is that his mature music leaves no room to hide – the breathtaking power and grandeur of his sound-images are plainly, nakedly arrived at, and will regularly show up playing less than fully absorbed in the score.

The same held true – though, if anything, even more so – for *The Swan*: wonderfully firm, imaginative basic grasp of the music, somewhat uneven fulfilment of it. Earlier in the evening we had heard Stravinsky's *Dumbarton Oaks* Concerto, lightly and lithely pointed by the group of LSO front-desk players (but the mysterious Barbican acoustics threw a veil over the music, which seemed to be happening an enormous distance away from my stalls seat). In the Grieg Concerto the pianist, Murray Perahia, opted not for frank, forward rhythms and open-air melodic statements but for delicate nuances, half-lights, and much elegant play with soft phrase-ends. The approach succeeded, excellently, because it was undertaken with such consummate skill (Mr Perahia appears to have be gained considerably in weight of tone), and because it was seconded in like spirit by conductor and orchestra. Myself, I prefer a fresher, simpler kind of Grieg.

Opera brushed up its revivals last year

This has been a good year for revivals. Not merely in the sense that there have been many opera productions revived with good new (or partly new) principals and conductors, which is what we normally expect: much more important are the clear signs that opera companies generally are trying hard to keep their resuscitated exhibits as dramatically effective and polished as the originals were – even, sometimes, to improve upon them.

Only the very innocent, or people who see opera only at Glyndebourne, will suppose that to have been normal practice all along. Grisly counter-examples are legion (especially among Italian operas, where the expensive practitioners often refuse adamantly to adapt to an existing house production). The decline of Visconti's once-famous staging of *Don Carlos* at the Royal Opera began almost at once with brutal sabotage to his lighting-plot, and I am reliably informed that for the first revival of the RO's 1960s' *Cosi fan tutte* – which wilted so rapidly that hardly anyone remembers how engaging and natural it seemed initially – the book-of-moves proved to have been lost, if indeed it was ever written up.

Since most operatic revivals are just as pricey as the first runs were, and are advertised with press comments on the original performances, selling a show that is a shadow of its former self does no credit to the company. Full credit, then, to the RO for bringing back *Der Rosenkavalier*, in John Schlesinger's thoughtful production, with a largely new cast and yet without smudges or squashed corners. Singing the Marschallin, Felicity Lott was exquisitely subtle (some found her suave soprano under-powered for the size of the house, but from where I sat it didn't seem so), and the interplay between all the characters was luminous – as was the score, in Bernard Haitink's loving treatment.

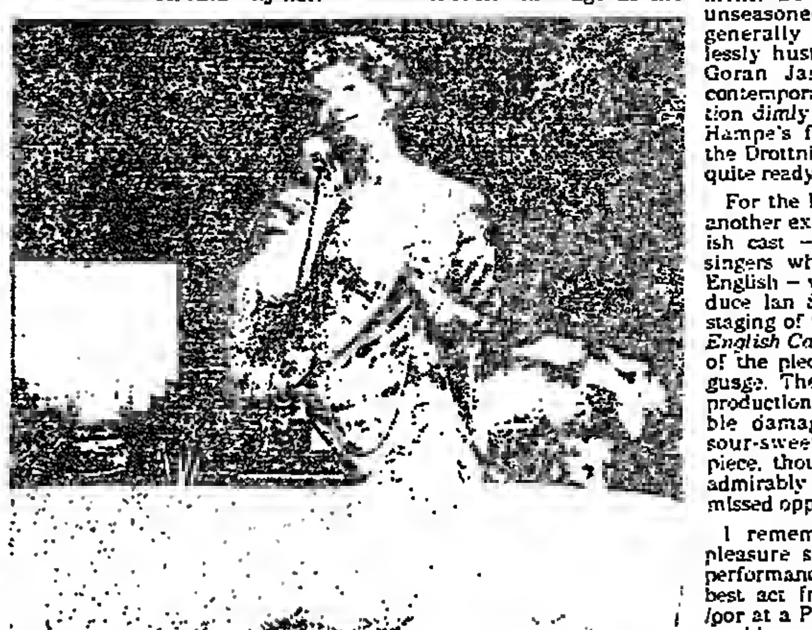
Still at the RO and still with Richard Strauss, the much older Hartmann/Svoboda *Frau ohne Schatten* – a dated '60s light-show – was recreated with surprisingly potent dramatic effect, thanks chiefly to Christoph von Dohnanyi in the pit, and to Helga Dernesch (the sinister Nurse), Gwyneth Jones and Siegmund Nimsgern (Mr and Mrs Barak) onstage. Jeremy Sutcliffe improved Jean-Louis Martinoty's extravagantly O.T.T. version of *Ariadne auf Naxos* not only by discreet pruning (the format defies proper root-and-branch therapy), but through careful tenderness for the people of the double story. Admittedly, Edita Gruberova – the peerless Zerbinetta of the decade – was on hand this time to ensure the fireworks for the opera-within-the-opera.

The first revival of Elijah Moshinsky's *Otello* had a less convincing ring – though not its Russian tenor hero Vladimir Atlantov, whose brazen ring was certainly his best feature: he brought with him what must be the authentic flavour of old-fashioned Italian opera *a la Russe*. Nor did the RO's double bill of Stravinsky's *Rossignol* and Ravel's *Enfant et les sortileges*, set by David Hockney and produced by John Dexter with some bright ideas and many ineffectual ones, look or sound (under David Atherton) more persuasive than before, though Ann Murray's "Enfant" has become – with a new boyish toughness – a near-perfect incarnation.

By reason of maintaining a more or less permanent company, the English National Opera boasts a stronger track-record for revivals. The 'Mafioso' *Rigoletto* staged by Dr. Miller came up fresh as paint for its final run (still running now), with some of the best singers from its past outings and a lovely, impassioned new Gilda by Anne Dawson.

The new principals for Miller's *Tosca* did little to close the gap between his guiding idea (bringing Puccini's scene forward to the Fascist period) and his half-hearted treatment of the characters (though by all accounts Albert Rosen, the solid new conductor, was an improvement). Joachim Herz revived his own Strauss *Salome* of a dozen years ago with too much lubricious campery to do justice to Josephine Barstow's brave, resourceful portrayal of the nymphet herself.

I reviewed no new production this year by the presiding spirit of the ENO, David Pountney, but seeing his forcefully imaginative Busoni *Doktor Faust* reproduced in Berlin was a lesson. It didn't quite work, less because certain key performers were weaker (though they were) than because Pountney's theatrical points were gauged too precisely to a British audience, and to that extent passed the German audience by – despite the fact that Berlin opera-goers should in theory be more at home with the original Goethe myth *and* with Busoni's quasi-German musical idiom. Moral: pure music may be an "international language" (though I doubt it), but the terms in which the sharpest opera-productions are couched are likely to be as demotic and local as could be. And why not?



Felicity Lott in Strauss's "Capriccio" at Glyndebourne

Glyndebourne's scrupulous revivals have long set a standard, to which Peter Hall's restaging of Mozart's *Cosi fan tutte* fully answered: a fresh cast (formidably led by Claudio Desderi's Don Alfonso) delicately attuned to each other, and to Lothar Zagrosek's wilfully original, fascinating view of the score (marvellously realised by the London Philharmonic). Hall's vivacious *Carmen* production might have seemed too tailor-made for Maria Ewing to accommodate any other heroine, but in fact the Romanian Mariana Cioromila made a satisfyingly pungent alternate lead – with variable assistance from her leading men, but diamond-bright support from the conductor Graeme Jenkins.

Another young conductor, Richard Bradshaw, took Simon Rattle's place in the pit for this year's *Porgy and Bess* with confident sympathy. Trevor Nunn's staging remained a triumph, with most of last year's troupe safely in place. And if Strauss's *Capriccio* was under-cast in a few roles (as well as underplayed, puzzlingly, under Haitink), there were outstanding exceptions in Ernst Gutstein's robustly authoritative impresario, Anne Howells' gorgeously sophisticated actress – and Felicity Lott's bewitching, uncommitted, superbly musical Countess. The ingenious detail of John Cox's revived production commanded admiration.

At home, the only new big-company productions I reviewed were at the Royal Opera. Bellini's *Norma* was decorously produced by John Copley amid Robin Don's misbegotten decor, for which I predict a very short shelf-life, and with Margaret Price under par on the first night. (Later in the year she had other occasions to prove how magnificently she really can sing.) Mozart's *Entfuhrung aus dem Serail*, with a good cast – led, in the event, by the Salzburg Festival's principal pair – fared better in a curiously mixed vision: a delectably naturalistic old villa for the Pasha by Timothy O'Brien, against Sidney Nolan's abstractly lurid front- and backcloths.

Unlike Johannes Schaaf with his new Salzburg staging, Elijah Moshinsky contrived to make the most of the dangerously intense relations between the Pasha (e magnetic Oliver Tobias) and his captive lady without corroding her central bond – about which Mozart's music is radiantly unambiguous - to her loyal fiance. (The Schaaf result was frigid and nasty, strictly consistent with itself but not with the score: I have never witnessed an *Entfuhrung* so charmless.)

Graham Vick achieved something similar to Moshinsky in his Opera North production, though in a deliberately bleak set and with a stern liberal emphasis on the anti-racist message at the cost of the comedy. From an excellent young cast Laurence Dale's hero and Tom Haenen's gruffly precise Osmin stood out.

At Salzburg there was also a refined but dispiritingly cool *Don Giovanni* under Karajan, replete with big names, not all of them comfortable in the monster Neues Festspielhaus; and in the same house a friendlier *Nozze di Figaro* under James Levine with a comparable cast and similar problems of scale, but also fine Ponnelle sets and a winning Susanna and Cherubino from Marie McLaughlin and Frederica von Stade.

Ponnelle's own production of Schoenberg's *Moses und Aron* in the Felsenreitschule, as an epic Jewish self-examination in the context of 20th-century persecution, was far more memorable, Theo Adam's grandly severe prophet in scarifying fraternal contest with Philip Langridge's brilliantly smarmy Aaron. If the *Archbishop of Salzburg had not* prevented us from seeing Georg Tabori's "scenic realisation" of the Franz Schmidt oratorio *The Book with Seven Seals* (he judged it "obscene"), it might have proved as powerful: even in an unstaged church performance it made a immense quasi-operatic impression, with its huge forces commanded by Hans Graf and crowned by Anthony Rolfe Johnson's superlative Evangelist.

The Wexford Festival did clever justice to a tackily professional score, Giordano's guignol-piece *La cena delle beffe*, much enhanced by Fabio Armiliato's bold character-tenor, the fine dramatic baritone of Luis Giron May and the opulent new soprano of the American Alessandra Marc, and staunchly conducted by Rosen. Massenet was less lucky with *Cendrillon* this year than with his *Jongleur de Notre Dame* at Wexford a short way back: though the statutory comedy was nicely turned, the producer Seamus McGrenera risked sending up the period-saccharine romance between Cinderella and her Prince, and it sank like a stone.

Massenet needs his sentiment, period-bound and even queasy though it may be, if we're to hear his music fairly. So does Bellini, whose fanciful melodrama *La straniera* was no more secure in Robert Carsen's stage treatment, but it really belongs to its singers anyway. They made a fairly rousing job of it (less so, I gather, when Wexford brought it to the South Bank), and the names of Ingus Peterson, Jake Gardner, Cynthia Clarey and Renata Daltin – despite her South Bank misfire – are all worth noting.

The Brighton Festival had as guests Arnold Ostman's young Drottningholm company, offering "authentic" Mozart – *Idomeneo* and *Don Giovanni* – with period-instrument accompaniment. Several promising but unseasoned voices, orchestra generally subfusc and relentlessly hustled by Ostman, and Goran Jarvefelt's inventively contemporary *Giovanni* production dimly answered by Michael Hampe's flat-footed Idomeneo: the Drottningholm team was not quite ready for this exposure.

For the Edinburgh Festival, at another extreme, another youngish cast – consisting of expert singers whose native tongue is English – was imported to reproduce Ian Strasvogel's Frankfurt staging of the Henze/Auden *The English Cat*, the British premiere of the piece in the original language. The abstract, low-budget production did almost irreparable damage to the appealing sour-sweet character of the piece, though the singers strove admirably to recover it. Another missed opportunity!

I remember with far more pleasure some honest concert-performances of this year: the best act from Borodin's *Prince Igor* at a Prom, with a fine Eastern-bloc quartet under Edward Downes, and the Chelsea Opera Group's lusty Bizet rediscovery *Ivan le Terrible* (done with unflagging zest and a bright up-and-coming cast), and above all Simon Rattle's vital, gripping *Idomeneo* with the Age of Enlightenment Orchestra and unimpeachable singers – Langridge, Carol Vaness, Arleen Auger, Diana Montague. There, staging seemed superfluous.

Further out on the fringe, some semi-stagings scored strongly by drawing little attention to themselves, but introducing tricky works expertly and sensitively. One such, at the City of London Festival, was a small, forgotten Gluck gem, a sort of elevated domestic pageant called *La corona*, conducted by George Badacsonyi with four keen and stylish sopranos. Another was the Brecht/Eisler *Die Massnahme* at the Almeida Festival, a stark didactic-political cantata – never performed complete these many years – for which Stephen Unwin devised an exact, economically apt presentation: the cantata struck home with disconcerting force.

At the Donmar Warehouse, a triple bill by the evanescent London International Opera Festival included a colourful version of Birtwistle's *Down by the Greenwood Side* that was soon eclipsed by a more searching South Bank production. But it had clear virtues, and the staging of Michael Nyman's new *Vital Statistics* which followed it was lively enough to make a good deal of a piece that offers a few half-formed ideas with scraps of disarmingly modest composition. Our operatic scene, and our more adventurous composers, would gain immeasurably by a lot more such efforts: the sooner the better, and as often as sponsors can be persuaded.

David Murray

Arts guide

January 8-14

Continued from Page 10

Opera and Ballet

LONDON

Royal Opera (Covent Garden). The latest Rossini opera to join the Royal Opera repertory is l'Italiana in Algeri, in a new production by Jean-Pierre Ponnelle (borrowed from Vienna). Agnes Baltsa, Paolo Montarsolo, Deon van der Walt, and Alessandro Corbelli make up the cast; that excellent Rossinian Gabriele Ferro is the conductor.

English National Opera (Coliseum). Valerie Masterson sings her first Marschallin in the revival of Der Rosenkavalier, with Jean Rigby and Rosa Mannion, conducted by Christian Badea. Further performances of two Jonathan Miller productions – the celebrated Mafia-style Rigoletto, with John Rawnsley, and the inert, dully unfunny new Barber of Seville, with Della Jones's Rosina as the evening's single important saving grace.

PARIS

Kirov (Palais des Congres). The temple of classical ballet has brought, with Swan Lake and Giselle, a revelation: the couple Farouk Ruzimatov and Altynai Assylmuratova. (42 66 20 75). Until Jan 10.

Paris Opera. Orphee aux Enfers is conducted by Sandor Segal with costumes by Michel Senechal, tenor, dominating Jean-Louis Martinoty's production of Offenbach's joyous parody of Gluck. (47425750).

ITALY

Milan, Teatro alla Scala. Verdi's I Due Foscari conducted by Gianandrea Gavazzeni, and directed by Pier Luigi Pizzi, who also designed the sets and costumes. The cast includes Renato Bruson, Alberto Cupido, Linda Roark-Strummer, Luigi Roni and Renato Cazzaniga. (80 91 26).

Rome, Teatro Dell'Opera. La Boheme, directed by Sandro Sequi with costumes by Peter Hall and sets by Pierluigi Samaritani. In the cast are Miwako Matsumoto, Verlano Luchetti, Roberto Scandiuzzi and Domenico Trimarchi, conducted by Miguel Angel Gomez Martinez. (46 17 55).

Trieste, Teatro Comunale Giuseppe Verdi. The Ballets Nationale de Marseilles in Roland Petit's L'Angelo Azzuro, based on Heinrich Mann's novel Professor Unrat. (63 19 48).

Bologna, Teatro Communale. Falstaff in co-production with the Theatre de la Monnaie in Brussels, conducted by Riccardo Chailly, with Juan Pons, Martha Senn, Mariella Devia, Daniela Dessi and Paolo Coni. (52 99 99)

Naples, Teatro San Carlo. A mixed bag of performances (dancers, singers, actors) in a theatrical happening directed by Beppe Menegatti (in which his wife, Carla Fracci, will be dancing with Elisabetta Terabust), conducted by Herbert Handt, with sets and costumes by Anna Anni. (41 71 44).

Palermo, Teatro Massimo. Richard Strauss's Die Schweigsame Frau, conducted by Wolfgang Rennert and directed by Giulio Chazalettes, with Cyndia Sieden (singing for the first time in an Italian opera house) and Siegfried Vogel, with evocative art-deco sets by Ulisse Santicchi. (58 43 32).

WEST GERMANY

Berlin, Deutsche Oper. Die Fledermaus features Paul Mahoney, Dale Griffith and Barry McDaniel. Der Freischutz is steered to triumph by Rene Kollo, as Max. Don Carlos, sung in Italian, has a strong cast with Sharon Sweet, Ute Walter, Andreas Schmidt, Harri Talvela and Harald Stamm. Also in the repertory are The Magic Flute and Lucia di Lammermoor. (34 38 1).

Hamburg, Staatsoper. This week's highlight is Otello with star tenor Placido Domingo in the title role, Katia Ricciarelli and Piero Cappuccilli. Don Pasquale brings Helen Kwon, Paolo Montarsolo and Urban Malmberg together. Carmen, Il Trovatore and Turandot complete the week. (35 11 51).

Cologne, Opera. Der Rosenkavalier has a strong cast with Margaret Marshall, Theresa Ringholz, Delores Ziegler and Gunther von Kannen. Die Italienerin in Algier has Doris Soffel, Alberto Rinaldi, David Kubler, John del Carlo, and will be conducted by Ralf Weikert. (20 761).

Frankfurt, Opera. Iphigenie in Aulis and Iphigenie auf Tauris offered in a concert version, with Helena Doese, Glenys Linos and John Bröcheler. Der Fliegende Hollander is steered to triumph by Simon Estes, brilliant in the title role. John Cage's Europeras 1 & 2 round off the week. (25 62 1)

Stuttgart, Wuerttembergisches Staatstheater. Das Rheingold, in a concert version conducted by Peter Schneider has Eva Randova, Raili Viljakainen, Manfred Jung and Roland Bracht as leads. Also Die Entfuhrung aus dem Serail, conducted by Hans Zender (20 321)

Munich, Bayerische Staatsoper. La Boheme stars Katia Ricciarelli, Julia Conwell and Francisco Araiza. Le Nozze di Figaro is a Gunther Rennert production. Rigoletto has Mariella Devia, Daphne Evangelatos and Thomas Woodman in the main parts. Die Frau ohne Schatten is an event of more than passing interest with Mechthild Gessendorf, Brigitte Fassbaender, Gwyneth Jones and Robert Schunk. (21 851).

NEW YORK

Metropolitan Opera (Opera House). James Levine conducts Fabrizio Melano's production of Pelleas et Melisande with Frederica von Stade, Anthony Rolfe Johnson and John Macurdy. Sir Peter Hall's production of Macbeth conducted by Giuseppe Sinopoli features Eva Marton, Renato Bruson and Samuel Ramey. Manuel Rosenthal conducts Die Fledermaus in Otto Schenk's production with Barbara Daniels, Judith Blegen, Tatiana Troyanos, David Rendall and Sid Caesar. Lincoln Center (362 6000).

New York City Ballet (New York State Theatre) Nikolais and Louis. Two choreographers with their own companies, Alwin Nikolais and Murray Louis, team up for a five-week season featuring seven programmes. Ends Jan 17.

WASHINGTON

Washington Opera (Eisenhower) The season continues with the little performed L'Amico Fritz by Mascagni in repertory with Ruddigore. Kennedy Center (254 3670).

HMS Pinafore (Opera House). Brian Macdonald's production stars Ron Moody and Reg Bussett. Kennedy Center. Ends Feb 6 (254 3770).

Giselle/Covent Garden

Clement Crisp

Sylvie Guillem, youngest of the etoiles of the Paris Opera Ballet, made her London debut as Giselle on Wednesday with the Royal Ballet, partnered by Rudolf Nureyev. Mlle Guillem created a sensation on her first appearance in Swan Lake in her parent theatre three years ago. She then has exceptional physical gifts – a phenomenal technical ease, prodigious extensions – have won her justified acclaim: as Nureyev's Cinderella, in a duet made by Maurice Bejart for her and Eric Vu An, she has demonstrated a dance style of almost extravagant prowess and serene control.

Giselle is not a role one might suppose lay within her natural range, and she is a relative newcomer to it, but Wednesday's performance showed that as a girl whose fate is ruled by a love of dancing, Mlle Guillem's happy endowment for the art is very happily displayed. She plays the first act peasant with a shy delicacy of manner, reserving the full splendour of her skill for the variation, which is lustrous, and beautifully pure in statement. The mad-scene is as yet merely a sketch, gently pathetic, and unaffected.

As the wili, Mlle Guillem draws the dance in long, exquisite lines, the movement seeming inevitable, a full-toned cantilena of feeling and dynamics. The richness of her abilities, the ease of her utterance have their own dramatic significance here, and the role lives fascinatingly on these terms. We see an interpretation which is wholly justified by dancing.

This, alas, is where Rudolf Nureyev's Albrecht is no longer credible. In his 50th year he brings a complete dramatic understanding to the role, which means that every least moment of emotion is clear, potent. As the ardent lover of the first act or sweeping through the forest manipulating cloak and lilies, he becomes an icon of Romantic fervour. But it is merely poignant to see him facing his present autumnal dance powers with the challenge which he so grandly accepted 20 years ago: it seems uncharitable on his part to force us to inescapable comparisons with his younger self: the real merits of his interpretation – in particular its dignity of manner – are weakened by the evident effort in his dancing. And I am not persuaded that his revision of the ballet's last moments is preferable to the ending provided by Peter Wright as producer.

The supporting performances were sound, with Fiona Chadwick an impressively airborn Myrtha.

Fassbaender at Covent Garden

Brigitte Fassbaender will give her first Covent Garden recital – Schubert's *Winterreise* – on January 24, accompanied by Markus Hinterhauser.

FINANCIAL TIMES

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Friday January 8 1988

Tax challenge for the UK

MR DAVID LANGE'S Government in New Zealand has reduced the top rate of income tax to below 50 per cent, imposed a broad sales tax that extends to such sensitive items as food and clothing and introduced a swingeing tax on corporate fringe benefits - designed to hasten their disappearance. All this has been achieved in straitened economic circumstances. Mr Nigel Lawson and his Treasury advisers retreat to Chevening, Kent this weekend to discuss options for the UK Budget. With the economy growing rapidly, tax revenues exceeding the most optimistic projections and a fresh electoral mandate, they ought to be preparing a set of tax reform proposals that will make Mr Lange's efforts look decidely tame. There is unlikely to be a better opportunity for far-reaching structural reform this side of the 21st century.

The principle behind the New Zealand reform (and many other similar exercises around the world) is that if the tax base is broadened, tax rates can be cut. Incentives can be improved without loss of revenue. Mr Lawson himself employed this principle in 1984 when he balanced the abolition of investment allowances with a sharp cut in the rate of corporation tax. In the run up to the 1985 Budget, there seemed some prospect that the principle would be extended to personal taxation. In the event, Mr Lawson was beaten back by the vigorous opposition of special interest groups and the conservatism of 10 Downing Street. The pension funds kept their tax privileges, value added tax remained restricted to less than 60 per cent of consumer spending, and mortgage relief continued to subsidise middle-class home owners.

Poverty trap

Is the Thatcher Government yet prepared to be a little more bold? The experience of other countries, from the US to the Antipodes, is that a really comprehensive package of tax reforms can be electorally popular. Opposition to the abolition of inefficient concessions is muted if they are balanced by rate reductions (witness the UK corporate sector's docile acceptance of the 1984 changes). Special interest groups can not gain attention if everybody's tax liabilities are changing at once. A vigorous onslaught on the main tax expenditures coupled with a broadening of VAT would make possible the re-introduction of tax rates at levels last seen in the 1930s. Is it so obvious that this would be electoral suicide?

If a package of reforms were to command widespread support, it would have to be seen as socially just. New Zealand offset the effect of a broadly-based sales tax on the poor with new social security benefits. Similar steps could be taken in the UK. But more than this, the lowering of tax rates made possible by base broadening would need to be focused where it could achieve the greatest economic payoff. The people most suffering from poor incentives at present are not the well-off but those on low incomes. Even after the introduction of the Fowler social security reforms this spring, many poor families will face marginal rates (tax plus the withdrawal of means-tested benefits) that are close to 100 per cent – far higher than the 60 per cent faced by top earners. Tackling the remaining poverty trap problems ought to be a far higher priority than large rate reductions for the already prosperous.

Company cars

A commitment to fairness and efficiency would also require the Chancellor to stand firm on company perks and the taxation of capital. A recent analysis by the Institute for Fiscal Studies puts the Exchequer cost of concessions for company cars alone at £1bn a year. A further tightening of the tax regime for fringe benefits would be welcome.

As for capital, Mr Lawson should pay no heed to calls from the Institute of Directors and others for the abolition of inheritance tax and the scaling back of tax on capital gains. Specially low taxes on capital gains serve only to encourage avoidance; so far as possible, they should be taxed like ordinary income. Taxes on capital transfers have, if anything, already been excessively scaled back in the past decade; properly designed so as to encourage the break up of large fortunes, they can do much to encourage the diffusion of capital – and hence the efficiency of its use.

Airbus and the dollar squeeze

EUROPEAN governments are under intense political pressure to continue supporting the Airbus venture. But this in no way justifies the current European Community argument that subsidies have become all the more necessary because of the weakness of the dollar.

By underlining the problems facing Airbus in attaining full commercial viability, the claim plays into the hands of the US which has been threatening a trade war if subsidies are not dropped. It also suggests that European leaders have failed to grasp a more general point. The US cannot unwind its own trade deficit without corresponding adjustment elsewhere. It is not sensible for European governments to shield specific industries from this adjustment process just because they happen to have strong political clout.

The European argument might have some merit if it were based on a correct assumption that the present dollar weakness was a transitory affair. But given the compelling need for the US to reduce its trade deficit, the assumption has to be that the lower real level of the dollar against European currencies is likely to stick.

Stronger sectors

The resulting strain could well produce an upsurge in demands for protection from European industries not only in the aerospace sector, but also in other traditionally weak areas such as steel and textiles. By revealing a sensitivity to this problem in the case of Airbus, EC trade negotiators have given all these other industries ammunition with which to support similar claims for special treatment.

If they give in to such pressure, European governments will risk pushing the economic adjustment burden on to other inherently stronger sectors which do not rely on protection for their survival but which would be weakened in the process.

Airbus itself may have been more successful in recent years than some of its early critics expected but its long-term commercial viability is still unproven. The company says it expects to break even by the middle of the next decade. The new exchange rate constellation will make this objective harder to achieve, if it was ever attainable at all. At the very least it represents a basic change which calla for a rethink of the company's prospects.

This is not to say that the US complaint is justifiable either. The civil aircraft code of the General Agreement on Tariffs and Trade permits government subsidies to aircraft manufacturers provided they do not distort the market. As long as Boeing has a 70 per cent share of the world market, the injury caused by Airbus subsidies must be limited.

Political importance

Whatever happens to talks with the US, which are due to reach a climax at the end of this month, Europeans must decide at some stage for themselves whether Airbus is worth further subsidies in the light of the dollar's fall. The first step to informed debate would be to make it publish clear financial figures. The second would be to intensify the search for additional partners, in and out of Europe.

McDonnell Douglas has long been touted as one such partner. Given the dollar's decline, it may no longer be as interested as before. Another possibility might be to find a Japanese partner willing to take a long-term view.

The West German Government's difficulty in involving the private sector in the Airbus project shows the task will not be easy. Companies such as Daimler-Benz which have spurned its approach know full well the risks involved. With the dollar at its present level they have become all the greater but if the private sector is not prepared to meet them, then governments should not do so indefinitely in its place.

John Plender on why world imbalances in savings took so long to affect shares and currencies

When market discipline is blunted

FIRST THE stock markets impose a punitive shock on the world economy; then the central banks knock the stuffing out of currency speculators. At first sight the events of the past three months look like a case of *old-fashioned financial* discipline reasserting itself. Yet with hindsight, the striking feature of the global stock market collapse and the subsequent turmoil in the currency markets is the length of time they took to happen in a world of such monumental trade and financial imbalances.

Equally striking is the way growing financial interdependence has signally failed to exert much of a modifying influence on the main actors in the global economic drama. In order to assess the likelihood of further financial shocks in 1988 we need to be clear why it took so long for chickens to come home to roost; and why concern about trade frictions and the US budget deficit surfaced not primarily in the currency or bond markets, but in equity markets across the globe.

The financial adjustment to trade imbalances has tended in the past to focus on the currency markets. But as the OECD's latest Economic Outlook points out, the response to the present trade imbalances between the United States and surplus countries such as West Germany and Japan is different from practically all other exchange rate crises since the adoption of floating rates. In the days before the liberalisation of capital flows, when the surplus savings of rich countries were channelled to other countries mainly via the banking system, acute exchange rate pressure usually built up as a result of short term capital movements. These came in response to deteriorating trade statistics.

Today, in contrast, savings imbalances between countries are handled increasingly by longer-term securities markets, as private investors look for *the highest returns in* what is now a global capital market. Long-term capital flows are prone to drive the underlying trade balances by causing currencies to overshoot. And with the lifting of exchange controls in the larger developed countries, trade and budget deficits are more easily financed. In such a world, it would seem logical to expect markets to impose a bigger crunch when they finally and belatedly lose confidence in the policies of sovereign governments; and for the financial pressure to be shared between the currency and long bond markets, as foreign investors go on strike.

Why, in the event, did it happen so differently?

Clearly the size and lack of openness of the US economy go some way towards explaining its relative immunity from external discipline. In addition, the economic circumstances in 1985 and 1986 when the dollar underwent a managed decline were also almost freakishly accommodating. Because oil and commodity prices were falling sharply, dollar weakness – which normally leads to higher import prices – failed to stoke up inflationary fears in the United States. The perception of international investors was that the positive interest rate differential between the US and their own bond markets (see top chart), together with expectations of further falls in interest rates, would compensate for dollar devaluation.

The natural moment for markets to crack the whip would have been early in 1987

A financial accident was looking for somewhere to happen

when commodity prices turned up and US Treasury Secretary James Baker barked the dollar down. Yet after the Louvre Accord, the central bankers – more normally a force for financial conservatism – moved to keep the rickety US show on the road through currency intervention, which exceeded $100 billion in the first 11 months of 1987.

With the dollar pegged, financial pressure shifted from the currency market to the US bond market. Yet the most that bond investors could manage was a mini-crunch (see middle chart). Why did the panic in the fixed interest markets in April – in which yield differentials between dollar bonds on the one hand and yen and D-mark bonds on the other widened markedly – fail to take US long bond rates into double figures? Part of the explanation must lie in the fundamentals: a modest uptick in commodity prices scarcely amounted to a return to the inflationary 1970s. The Japanese Ministry of Finance also did its bit by resorting to some old-fashioned arm-twisting of investment institutions.

Yet the international markets themselves were acting as a shock absorber, rather than a restraining discipline, by offering hedging facilities to Japanese investors. As our third chart shows, Japan (unlike West Germany) has since 1984 been exporting capital far in excess of its current account balance of payments surplus. Much of that excess was financed by Eurodollar borrowings and found its way into the US bond market. In other words, increasingly sophisticated Japanese fund managers discovered that they could pass on the risk of further dollar devaluation to other investors, while continuing to take sdvantage of high US bond yields.

Foreign corporate investors have also learned to play the same game. The Swiss pharmaceutical group Hoffmann-La Roche, for example, is proposing to finance its $4.2 billion bid for Sterling Drug of the US entirely through Eurodollar borrowing. Such activity has undoubtedly contributed to the "sponginess" of the global financial structure.

The impact of currency appreciation on the real economies of the surplus countries has been similarly blunted. In West Germany, for example, Porsche the specialist car exporter has until recently owed its profitability to currency hedging against the dollar's devaluation. Only when actual demand in the US collapsed after Black Monday, October 19, did it cut production. The Japanese economy, meantime, is flexible in all the wrong places for trade adjustment. Not only did the stock market provide hard pressed exporters with speculative profits as they sought to adapt to the appreciation of the yen; workers and small suppliers respectively took pay and price cuts from big corporations. For their part, the exporters have moved into higher value added products, which are less sensitive to exchange rate changes.

Most attempts to rationalise the October collapse in equity prices focus on the wide divergence between equity and bond yields, the increasingly speculative nature of the bull market, the potential recessionary consequences of the refusal of the imbalances in the world economy to respond to currency realignment and the various structural features of the markets that contributed to the sharpness of the fall on Black Monday.

All these explanations have some validity. Yet it could also be argued that against the particular economic background, the equity market was the only one capable of administering a big shock. Throughout the year a financial accident had been looking for somewhere to happen and it ended up in the equity market almost by default. There must be a suspicion that – as in the currency and bond markets – with significant hedging in futures and options, the unhedged part of the market had to fall farther to bring the supply and demand for equities back into balance.

Even here, however, the strictness of the discipline has been less than initially expected, because sovereign governments have spiked the markets' guns. The so-called wealth effect, whereby individuals save more to compensate for the decline in the value of their portfolios, has partly been mitigated by the relaxation in monetary policy that followed the crash. In Japan, which saw a smaller equity plunge from a dizzier height than Wall Street or London, the government has felt obliged this week to prevent downward pressure on prices by changing accounting rules to allow investors to hide their losses.

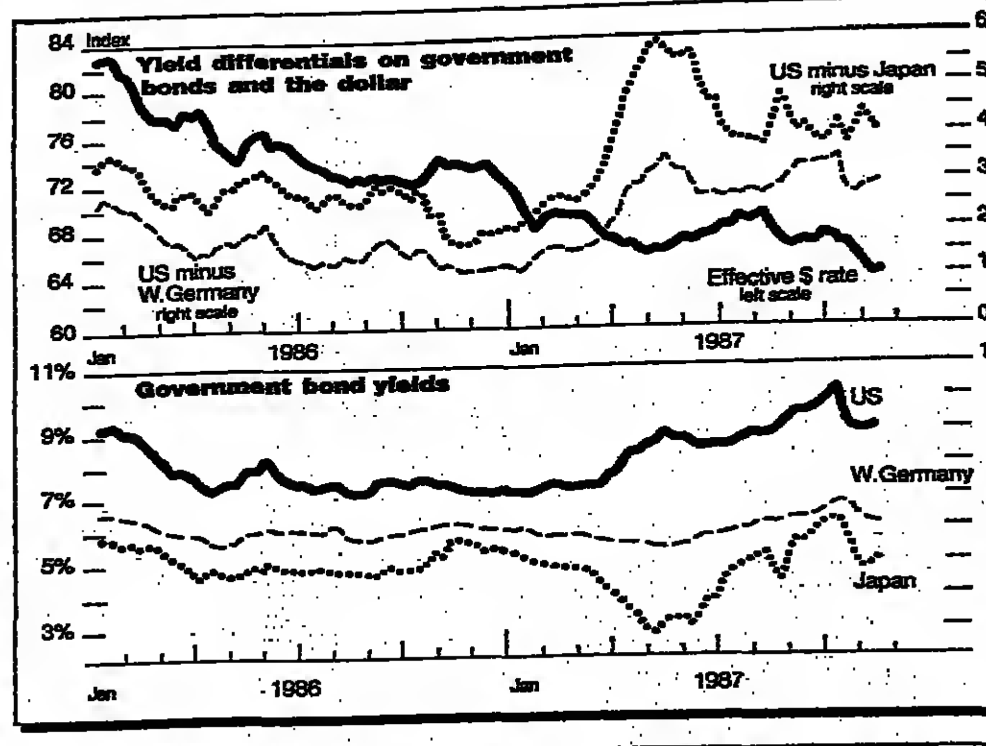
Where will the financial pressure from continuing trade imbalances be felt next? For the moment the central banks, after their successful assault on the speculators this week, have reasserted control over the currency markets. It is worth noting, too, that the US current account deficit, which is projected by many forecasters to fall below three per cent of US GNP in 1988, is not large, even by developed country standards. It could be corrected by only a modest change in domestic savings behaviour. The problem is that the appetite for policy change is minimal in a Presidential election year and, as we have seen, the stock market crash may not bring about the requisite adjustment.

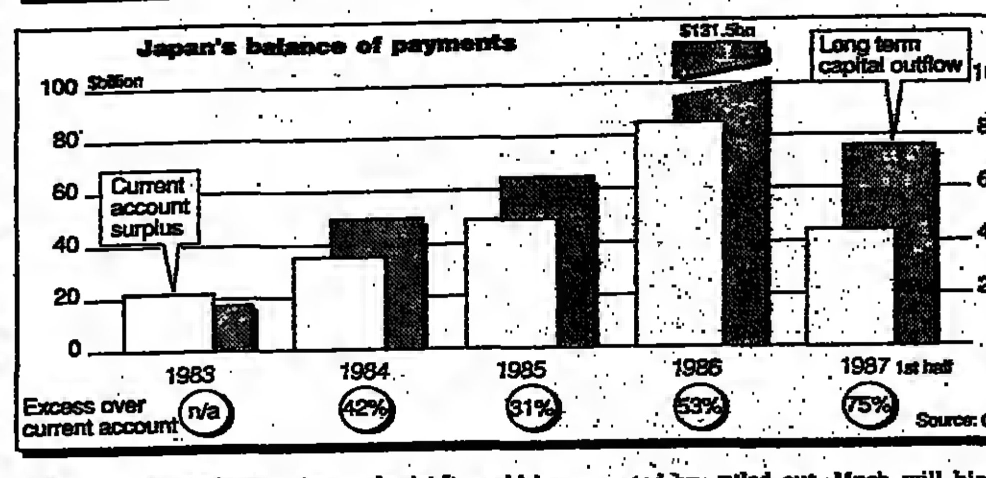
While there is some optimism about the next set of US trade figures, recent dollar weakness suggests that the trade imbalances will be painfully slow to go away. Above all, there are tell-tale signs that the world's biggest dollar-holders feel that their portfolios are overstocked: the weakness of the dollar over Christmas partly reflected nuances in the wording of the latest Group of Seven communique which suggested that central banks were losing their appetite for supporting the dollar.

It is equally hard to see how Japanese investors will enthuse about dollar bonds when long term real rates of interest in Japan are higher, on commonplace assumptions about inflation, than in the US. And of crucial importance is a looming regulatory change in Japanese capital markets. High-yielding US bonds have been attractive to Japanese institutions because they are prevented from paying dividends out of capital gains. This restriction is to be relaxed in 1988.

All this suggests that further downward pressure on the dollar cannot, in due course, be ruled out. Much will hinge on the response of the US Federal Reserve, under its new chairman Mr Alan Greenspan, who is under increasing pressure from the White House to *eschew any tightening* of *monetary policy*. If the dollar is left to take the strain, it is hard to see how world markets can continue to respond in unison. As the United States exports recession to the rest of the world via the exchange market, and a dollar decline renews fears of US inflation, dollar bond yields would ulti*mately have to rise* while Japanese and European bond yields fell. In equity markets, Tokyo would become harder for the authorities to prop up as trade adjustment finally took its toll of Japanese export earnings.

But for some time yet the US external debt will be mounting visibly and the currency and bond markets are bound to worry *increasingly* about the freedom of the United States to borrow in its own currency. For such license fosters the illusion that continuing dollar devaluation and internal inflation provide an easy adjustment mechanism. It could be that there are limits to the enormous flexibility that the world's financial structure has exhibited *to date*. And it will be hard, indeed, for the US Administration to control events unless it acknowledges the growing problem of excessive portfolio holdings of dollars by reverting to the issue of yen and D-mark denominated bonds.





Men and Matters

A little bit of history

Since this is the last column headed Men and Matters to appear in the Financial Times, some words of explanation may be in order.

It is not quite true that the column has been a continuous feature of the paper for the last 50 years or so. During its first quarter century it had a rather chequered existence and had a slightly different title at the start.

The column began in 1937 when Lord Camrose, the FT proprietor, asked Archie Chisholm, the then editor, if he could produce a City-angled version of the Peterborough notes in the Daily Telegraph. But, Camrose advised, it had better begin on a weekly basis in case there was a dearth of material.

Chisholm insisted that it should be run every day and said that if he could not write it all himself, he would pay his staff five shillings an item to provide the rest. That was a practice he had picked up from having written the rather similar Straws column in the Wall Street Journal 10 years before where the rate per item was one dollar, those being the days of the four dollar pound.

So the column started on October 18 1937 and was called City Men and Matters. Even in those days it had a tailpiece or statutory joke, the first of which began: "The funniest thing I heard at the P&O dinner..."

Chisholm, incidentally, had another distinction. On the FT's fiftieth anniversary in 1938 he became the first editor of a national newspaper to appear on television, Camrose having told him that it would provide free advertising. In a programme called Picture Post he was interviewed between an item on the oldest cabby in London and another on the youngest chorus girl.

Chairman Bracken

The column went weekly given the reduced size of the paper during the war. When it appeared in new form in January 1946, the Financial Times had merged with the Financial News and the chairman was Brendan Bracken. Bracken wrote the column himself, or most of it. It was called Men and Matters and was published only on Mondays.

According to David Kynaston whose book, The Financial Times - A Centenary History, is published next month, it was "pretty poor stuff". On a Sunday afternoon Bracken would dictate to Alan Hodge, who had been his private secretary at the Ministry of Information in wartime, whatever thoughts were in his mind. Many of them were attacks on the then Labour Government. Under Bracken's instructions anyone who cut or attempted to edit his copy would be faced with instant dismissal.

Lord Beaverbrook, however, was so impressed that he offered him £20,000 a year to write the column for the Daily Express. Still, one or two items stand out. When Hjalmar Schact, the President of the old Reichsbank, was acquitted at Nuremberg, Bracken suggested that he should be invited to join the British Government since only such a financial wizard could co-ordinate what it was doing.

In the early 1950s he was no more sympathetic to the Tories whose Chancellor, R A Butler, disappointed him by refusing radically to reduce public spending. He could not understand why Butler had declined to refute the precepts of Keynes, the man who in Bracken's view had "made inflation respectable".

As he grew older and iller, his contributions became less frequent and the column ceased to appear in the autumn of 1955.

Swinging Sixties

It came back in new shape in April 1960. Again called Men and Matters, it began appearing five days a week - Mondays to Fridays. The push for its revival came from Lord Drogheda, the chairman, and the now Sir William Rees-Mogg, then one of the paper's deputy editors.

"You've spent how much? Kuwait could gain control of BP with half of that."

The man who wanted to write it was the then features editor and now Chancellor of the Exchequer, Nigel Lawson. He had to give way when Rees-Mogg surprised a number of his colleagues by saying that he wanted to write it himself.

He explained in the first column: "We are not among those who call the Prime Minister 'Harold', and we do not think that he would like it if we did. We do not expect to refer to the Chelsea set more than once a year and we are not often to be seen in the Markham Arms."

The column, he went on, would be mainly about people, but not about people merely as gossip; "in any case good gossip is usually either libellous or improper."

Rees-Mogg left the paper shortly afterwards, to be succeeded briefly by the now Lord Bruce-Gardyne, who had been the paper's first full-time staff correspondent in Paris. There have been many distinguished editors end contributors since and indeed it has never really been a one person column.

Noises off

One of those contributing indirectly for a short time from outside the paper was Samuel Brittan who in the mid-1960s went off to work in the information office of George Brown's Department of Economic Affairs. He was not much encouraged by his masters, either political or mandarin, to talk to the press, but an enterprising journalist then editing Men and Matters and previously unknown to Brittan would ring him up from time to time and the stories would come out. The journalist was Anthony Harris.

For the last seven years the column has been edited by Philip Rawstorne, who has said for a while that five years was enough and will now find freedom in other parts of the paper. We know, not least from readers' letters, how widely his style has been appreciated.

Continuity

So why are we making a change? The answer is that we are not, or not all that much. The column has evolved over the years. "City" was dropped from the original title. "Men and Matters" no longer has quite the right ring about it for the late 1980s, if it ever had.

Bracken overdid it, but maybe there is room for the occasional outburst and perhaps Rees-Mogg was over-fastidious in his attitude to gossip. There will always be space for jokes, though the new column will begin very quietly.

The point of continuity is that it has always been signed Observer, which is what it will be called from next week. There will be a few exceptions when it will be signed, such as today.

Malcolm Rutherford

هكذا من الأصل

THE RISE OF ISLAMIC INFLUENCE IN EGYPT

A revolution by stealth

By Tony Walker

"THERE IS a struggle between the Islamic trend and other different trends, but I can assure you the Islamic trend will win, because we are an Islamic people."

Those matter-of-fact words, uttered by Mr Mustapha Mashour, the influential deputy leader of Egypt's Moslem Brotherhood sum up the current mood of confidence among members of the religious right in the Arab world's most populous state.

It is a view gaining currency among an increasing number of Egyptians, much to the dismay of a nervous bourgeoisie and the jaded political left as well as some of Egypt's western friends. Many believe that during 1987, Egypt's mainstream Islamic trend – represented by the banned but tolerated *al-Ikhwan al-Muslimun* (Moslem Brotherhood) – has made further significant progress towards its apparent aim of usurping power by stealth in a country where at least 90 per cent of the total population of 52m is Moslem.

A government that tends towards meekness, that appears at times confused about its aims, that is burdened by a large and unresponsive bureaucracy and that is grappling with immense economic problems is being forced more and more, it seems, to make concessions to the Islamic trend.

Caught in a cycle of debt and poverty, the state is hardly in the most robust condition to withstand huge pressures from a determined and well-organised internal force.

Striking recent developments include the extension of Islamic influence in, and in some cases control of, professional groups such as syndicates of lawyers, doctors and engineers, and the trade unions. These groups are especially important in a country where the state is the main employer. The Islamic tendency has also strengthened its grip on student bodies, working through radical groups that call themselves *Jamaat Islamiya* or Small Fraternities.

The "Islamisation" process is being helped by the apparent success of giant Islamic investment houses which have grown up alongside the mainstream banking sector. These groups – family-controlled trading companies rather like Asia's "Hongs" – are a dramatic manifestation of the growth of a parallel quasi-religious institutional structure in Egypt.

There now exist parallel health, educational and social welfare institutions throughout the country. Thousands of Islamic-controlled and funded schools and clinics now provide services far superior to those available in run-down government facilities.

The religious revival is affecting most levels of society, including the articulate middle class, a surprising number of whom are re-discovering and embracing Islam in their middle and late-middle age. The ruling National Democratic Party of President Hosni Mubarak has its own Islamic tendency faction which is growing in strength.

Influential Egyptian intellectuals such as Dr Saad Ibrahim, a sociology professor at the American University in Cairo, believe that populist Islam, far from peaking in Egypt as some observers have suggested, is in the midst of a strong cyclical upswing that has by no means reached the limits of its potential.

The Moslem Brotherhood, even though there is still an official ban on its activities dating back to 1954, when some its members were accused of plotting to assassinate President Gamal Abdel Nasser, is also moving increasingly into the mainstream of Egyptian politics. It is now the dominant opposition group in parliament as part of an alliance with the Socialist Labour Party and Liberals, winning 36 seats in the almost 500-member chamber in April elections.

To underline the point, the Brotherhood is gaining increased access to the media: it controls the newspaper of the Socialist Labour Party and the Liberals' religious organ, and the Islamic magazine *Lewan al Islam* is one of Egypt's fastest growing publications. On television, populist religious figures such as Sheikh al Sharawi, a charismatic preacher, are achieving greater prominence. Sheikh Sharawi's theatrical renderings of sometimes arcane teachings contrast with the drab performances of many

government-appointed sheikhs.

All that means, says Mr Mamoun Hodeibi, the Brotherhood's parliamentary leader, that the movement is now an undeniable fact of political life. The grey-bearded Mr Hodeibi, 67, who was jailed in 1965 for six years, is typical of his generation of Islamists. They have been repressed, tortured and banned but were finally allowed to rise from the dead by late President Anwar Sadat who conspired to use them against his leftist opponents (before being assassinated himself by Moslem extremists).

These older, and wiser, Islamic activists are not about to squander their political gains by overtly challenging the system. Their strategy is to proceed stealthily, building their own structures until the day that militant Islam in Egypt has achieved dominance.

Mr Mashour, the Brotherhood's deputy leader, explained that the Islamic trend wanted to co-operate with the government. "I am telling them they shouldn't be frightened," he said in the organisation's austere headquarters on a busy square in Cairo. "We want to be constructive, we don't want to bring the government down." But he then observed pointedly that Mr Mubarak was "not very responsive to Islam."

One of the government's main difficulties in dealing with the religious trend is actually identifying whom it is meant to be confronting. While the broad aims of the movement are more or less the simple one of establishing an Islamic state in Egypt, there is a wide disparity of views within it about the means of achieving this.

The visible Muslim Brotherhood favours, for the time being, following the legal and institutional route to power. But in Cairo's decaying suburbs and in radical strongholds such as Assiut, Minya and Sohag in upper Egypt, lurk bearded radicals belonging to perhaps dozens of underground cells who believe it is their duty to purge the state by force.

Such radical groups include *Tanzim al-Jihad* – literally the organisation of the holy struggle – responsible for the assassination of Mr Sadat and the nihilist *al-Takfir wal-Hijra* which advocates the overthrow of impious rulers and withdrawal from corrupt society as an essential requirement for the establishment of a divine Islamic kingdom on earth.

Among the more potent small radical splinters is *Najum Min al-Nar* which attempted in the past year to assassinate two former ministers of the interior and a leading leftist newspaper editor critical of the Islamic tendency. The group draws its name, which means "saved from the flames", from the experiences of young men who were rounded up and tortured in the sweep against Islamic radicals after the Sadat assassination.

Relationships between competing and disparate Islamic factions lack formalism. But Dr Farag Foda, who stood in the recent election on a platform urging compromise on a secular basis between Moslems and Christians (between five and 10 per cent of Egyptians are Christians, mainly Copts) said that collaboration was apparent between the Moslem Brotherhood and militant Islamic groups in campaigning and in manning polling stations on election day.

Dr Foda claimed that some of the new Moslem Brotherhood members of parliament were in fact representatives of *Jamaat Islamiya*, the more radical religious fraternities that have their strongholds in the universities and in Upper Egypt where, in some cities, virtual Islamic enclaves have been established beyond the day to day control of the authorities.

Looming over the debate about the Islamic tendency in Egypt is the spectre of Ayatollah Khomeini's religious revolution in Iran. While mainstream Islamic figures disavow the more militant aspects of Khomeinism, there is no doubt events in Iran have made an impact. "We do not agree with the Shia (the sect that rules Iran) on some points," declared Mr Mashour. "But the positive point is that it opposed the dictatorship of the Shah, and it continues to reject colonial interference in Iran's affairs."

A persistent Moslem Brotherhood theme is that both capitalism and socialism have failed the Islamic world, which must now turn inwards, utilising its own spiritual resources to deal with the crisis of moral authority in its midst. It is a powerful argument and difficult for the establishment to counter, especially in a country where 40 per cent of people live on or below the poverty line, and thousands of graduates have little prospect of finding satisfying employment.

Egyptians antipathetic towards the Islamic tendency argue that while it is gathering adherents as a protest movement, the trend will dissipate when it encounters Egypt's almost timeless ability to absorb and neutralise extremist influences. "The Egyptians have their own way of corrupting extreme trends," said Mr Tahsin Bashir, former spokesman of Presidents Nasser and Sadat and one of Egypts most astute commentators. One of the government's options, he observed, is to "nationalise" the Islamist mainstream by drawing it into the administration. The Moslem Brotherhood has craved such recognition since the days of Nasser.

But such a move would, in a way, mark a defeat for the administration, a capitulation to the forces of the religious right who would almost certainly demand, as the price of co-operation, the full application of Islamic *Sharia* law, which would in turn have profound implications for Egypt's social and financial system.

"The government lacks dynamism in the normal run of things," Mr Bashir concluded, "but when it finds itself on the defensive it becomes very efficient. The Ikhwan, however, have more *esprit de corps* and that's frightening."

Lombard

The wrong sort of Community

By Hilary Barnes

THE European Community is supposed to be an instrument for increasing harmony among the nations of Europe but it seems to have become bogged down in a process of endless conflict over money. It is not, fortunately, armed conflict, but it is sufficiently demoralising to endanger the process of European integration.

Games theorists would not be surprised. When politicians make the assignment of income their primary concern there is no way in which differences can be resolved to the satisfaction of all participants.

It is a zero-sum process. What is satisfactory to one EC government is another government's loss, and may also be a lost election.

National polities are sufficiently robust to survive substantial doses of income distribution. Communities of nations are more delicate as losers can opt out, which is the fate threatening the Common *Agricultural Policy* if member governments reintroduce national support schemes.

The late Mr Jan Tumlir, head of research at the Gatt Secretariat in Geneva until his untimely death two years ago, had an alternative vision of how the EC might develop more harmoniously.

The community, he wrote, "put too much emphasis on 'common' and not enough on 'market'." He ascribed this to a "romantic view," prevalent in the 1960s, of the function of governments, "so that in economic matters it is impossible to discern any effective limit to what a government should or is entitled to do."

This view was complemented by the mistake of European federalists, as Tumlir saw it, in making the US – rather than Switzerland – their example. The federalism of the Europeans became a mandate for political activity at the centre, the more extreme the better. "The unique political feat of the Swiss, welding into a nation three population groups...would never have been possible had the central government possessed half the economic powers which national governments elsewhere exercise as a matter of course."

His main point was that the Treaty of Rome is unique among international treaties in creating private rights, which national courts must protect in preference to national law.

The treaty's three key principles – free movement of goods, services, labour and capital, "undistorted competition" and non-discrimination – could have been implemented by society itself enforcing these commitments on their governments through an appeal to the primacy of community law and with the help of the European Court.

Tumlir regarded the three mandated common policies of the treaty – the CAP, foreign commerce and transport – as one of the two basic mistakes embodied in the treaty (the other was the absence of a monetary constitution).

He had no time for harmonisation of policies. By his law-based approach, "all that is needed in this respect would be achieved spontaneously, with a minimum of formal negotiation among all member states." Instead of harmonisation, he preferred rigorous competition in policy which would gradually lead to a convergence around those which were most successful.

Attempts by governments to negotiate harmonised policies would cause welfare losses, as they would tend to aggregate around the worst features of national policies. What better way of characterising the CAP?

His prescription for taking the community out of its crisis was twofold: asserting, or reasserting, the integrity of community law and unifying and completing the legal system outlined in the treaty.

"Those who say that it is politically impracticable may be too sceptical about the human capacity to learn...The question is whether... a calamitous breakdown in international relations continues to be a part of the learning process...It is now for the European statesmen to disprove the latter hypothesis," he wrote. That was 1983. His words have lost none of their relevance.

Strong and Weak Elements in the Concept of European Integration in Reflections on a Troubled World Economy. Machlup et al, Macmillan, 1983.

Letters to the Editor

The old laws still rule

From Mr Matthew Oakeshott.

Sir, Ronald Greenfield asks some simple questions (Letters, January 2) about the reason for the fall in share prices since Black Monday. He gives some simpler answers, basically blaming a conspiracy by "faceless market makers" rigging the market and "trying to create an artificial recession."

As an independent investment manager who heartily disapproved of Big Bang, and still does his best to keep the market makers on their toes, may I none the less suggest to the conspiracy theorists that they are barking up the wrong tree? *In fact, most* market makers had plenty of stock on their books on Black Monday, and had no interest in manipulating the market down; in the face of a sudden change in investment sentiment they then tried desperately to establish a level at which some balance between buyers and sellers could be found.

The fallacy in so much recent debate about the market, ranging all the way from the "extremely narked" chairman of ICI, through the wails of the grounded Unlisted Securities Market high-fliers, to Mr Greenfield's example of price movements in McCarthy and Stone, is the implied assumption that the level of share prices ruling before Black Monday was somehow *"correct," whereas* recent lower prices are artificial, rigged, manipulated or in some way less valid.

But the market had gone op by 40 per cent *in nine months.* Ever more exotic new issues and shells were being pulled out of the hat, and many amateur investors were being sucked in by "Royal Events" and their ilk. If charges of manipulation have any validity they can only be laid at the door of some of the "concept" companies which were issuing floods of highly priced paper for takeovers. If some prices were "artificial" it was before, not after Black Monday.

In fact, now the autumn speculative fever has passed, long-term professional investors know that we are back to the familiar guideposts of investment analysis: shares look reasonably valued again on the usual criteria of yield and price –earning ratios as profits and dividends continue to grow steadily. There was plenty of demand again for ICI in November, at £10 and below, and Mr Greenfield is no doubt relieved to see McCarthy and Stone closing the year well off the bottom at 443p.

The answer to "financial advisers and the like who give advice and are being made fools of" is that normal values have not been abandoned, but re-instated; even first class companies like McCarthy and Stone did not offer good long term investment value on dividend yields below 1 per cent and price–earnings ratios of over 20 times, as was the case at 600p. Almost everyone else must have been sharing Mr Greenfield's optimism at that stage, and a share price does not necessarily go up just because profits rise 55 per cent – it all depends on how expectations compare with reality.

There is no "correct" level for a share or market – the age-old laws of supply and demand still rule. Investment is an art, not a science; success comes from anticipating changes in market sentiment, being cautious when the good news is obvious to all (and in the price), and buying sound *shares offering good value when* the squeals of pain become deafening.

Matthew Oakeshott,
OLIM Ltd,
Pollen House,
10-12 Cork Street, W1

Human emotions play a part

From Group Captain R.L.S. Coulson.

Sir, Mr Ronald Greenfield (Letters, January 2) complains that a sound property company, quoted at around 600p before the market collapse, was knocked down to 400p afterwards despite there being no change in the company's circumstances. He *feels that share prices should* be based on soundly established criteria such as EPS, profitability, dividends, future prospects and so on.

I am sure we all sympathise with this viewpoint, and presumably, in an ideal world, that is what would happen. Unfortunately we have to live in the real world, where the human emotions of optimism and pessimism, gut feeling, instinct – part of that rather *nebulous* ingredient called "market sentiment" – play an important part in the market making process.

Mr Greenfield may wish to reflect that it is possible that the 600p share price quoted before the market collapse was as unjustified, in relation to his *ideal criteria,* as the 400p price quoted thereafter.

R.L.S. Coulson,
The Paddock,
Brampton Ash,
Market Harborough,
Leicester.

More Black Monday questions arise

From Mr Merton Naydler.

Sir, Some further simple questions can be added to those posed by Mr Ronald Greenfield (January 2).

By what mechanism did it come about on Monday morning, October 19 1987, that an orderly market, going up or down by slow degrees – mostly up – precipitately plummet? (We can be fairly sure that had the orderly market gained 250 points in the first minutes of a day's trading, the authorities themselves would have had a lot of questions to ask, very likely after imposing a swift suspension of all dealing.)

Did anyone gain by the plummet, at the expense of investors unable to access current information because of the rout and the consequent collapse of the normal communications systems?

If so, would not such gains be parallel, if not identical, with insider dealing?

Can there be any possibility that the crash was "manofactured" rather than a natural phenomenon? Consider a hypothetical scenario where, with the necessary financial backup, I make sales sufficiently large to bring about corresponding price falls; and I continue to make such sales until the market is at a level where, only two days later, I can buy at a 30 to 40 per cent discount on prices achieved by laboriously cautious escalation over the preceeding 12 months. Would that be an acceptable way in which an orderly, honest market should be able to function?

Perhaps most intriguing of all: how, in an ordered market, can there be so vast a discrepancy between market rise and fall rates, unless artificially contrived?

Many questions could be answered by a painstaking investigation of the identity of large sellers just ahead of Black Monday morning.

Merton Naydler,
80 Roebuck House,
Palace Street, SW1

'This is what makes a market'

From Mr C.J.L. Moorsom.

Sir, Share prices do not fall as a result of bad judgement on *behalf of* the investor *but purely* as a function of the law of supply and demand.

We, the "faceless market makers" (Ronald Greenfield's letter, January 2), are not there to judge what a share price should be based on, but to set prices at a level where both buyers and sellers will deal in that share.

In the case of McCarthy & Stone, on Black Monday and on several days thereafter market makers were faced with a flood of sellers. Investors, presumably similar to those advised by Mr Greenfield, decided to sell. This selling pressure, and the absence of almost any buyers, caused the share price to fall until eventually a level was reached which buyers found attractive.

The correct share price is dictated by the level at which both buyers and sellers can trade. The only sensible suggestion that I can give Mr Greenfield is that if he considers that the share price has been "manipulated" too low, he should advise his investors to buy. This is what makes a market.

C.J.L. Moorsham,
Stock Beech Market Makers,
The Bristol and West Building,
Broad Quay,
Bristol

A long way to go to achieve an undivided South Africa

From Mr N.J.R.J. Mitchell.

Sir, It is sad to read the letter from Mr Avanish Persaud (December 23) concerning disinvestment from South Africa and apartheid.

Mr Persaud lists some of the evils of apartheid during the period 1962 to 1975, and reminds your readers that this coincided with a period of growth in the economy and in inward investment in South Africa. He then makes an extraordinary leap of logic to claim that disinvestment will help to end apartheid.

If we turn instead to more recent history, say the last five or ten years, there have been structural changes of fundamental significance to political, social and economic life in South Africa. Most of the changes can be directly linked to the pressures of economic growth and the active encouragement of business. These include the end of job reservation, desegregation of public buildings, legalisation of black trade unions, freehold rights for blacks in urban areas, abolition of the pass laws and erosion of the Groups Areas Act.

There is a long way to go to achieve an undivided South Africa, with one citizenship and universal franchise. One thing, however, is certain, and that is that progress will be more rapid, and life in a future post-apartheid South Africa will be far better for the majority of its citizens, if international companies maintain and increase their investment and hence their influence in South Africa.

Should the alternative approach prevail, and South Africa's economy gradually decline to a level when it can no longer sustain a rapidly expanding population, the effect on the whole of sub-Sahara Africa will be too horrific to contemplate.

Nick Mitchell,
Director-General, British Industry Committee on South Africa,
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FINANCIAL TIMES

Friday January 8 1988

Nigeria and UK differ over Pretoria sanctions

BY MICHAEL HOLMAN IN LAGOS

WIDE DIFFERENCES between Nigeria and the UK over South Africa were publicly highlighted yesterday at the ceremony in Lagos marking the arrival of Mrs Margaret Thatcher, the British Prime Minister.

A small number of demonstrators carrying placards criticising Mrs Thatcher were outside the airport when she arrived from Nairobi at midday.

But at the opening ceremonies Mrs Thatcher made it clear, without specifically referring to the issue, that she would not be prepared to change her opposition to sanctions against Pretoria.

"We are both renowned for our strong and independent views," she told the president.

"We shall not agree on everything."

Neither Mr Babangida nor Mrs Thatcher referred directly in their opening speeches to economic sanctions against Pretoria.

But Mr Babangida told the British leader: "We expect and, indeed, long for Britain, under your leadership, to play an important part in achieving the universally desired result in the Africa continent".

He also emphasised "the strength of feeling which exists in Africa on the question of apartheid".

Later, in a banquet speech, Mrs Thatcher set out her uncompromising stand.

"There is no quick fix for every problem. Apartheid is a repulsive and detestable system. The idea that the collapse of apartheid can be achieved by a concerted push from outside to destroy the South African economy is, I believe, an illusion."

She repeated arguments that punitive pressures would make the plight of black South Africans worse and would do "untold damage" to the economies of neighbouring black states.

The best prospects for progress would be the suspension of violence on all sides followed by all party negotiations, she said.

She outlined the support Britain was giving to the black states of the region, including military training in Zimbabwe and Mozambique.

"Change in South Africa will not be quick, but it must come and it will come. For our part, we shall persist until apartheid is no more."

The differences over South Africa, however, were not allowed to dominate private talks between the two leaders later in the day.

During discussions, that lasted over an hour and a half, the greatest proportion of time was devoted to a review of Nigeria's economic reforms and the importance of the international community's efforts to ease Africa's debt burden.

Nigeria, which owes $23bn, is the continent's largest single debtor.

In her speech last night Mrs Thatcher pointed out that Britain had supported Nigeria's efforts to reschedule the debt and played a "leading part" in securing support from the international financial community.

British officials last night described talks between the two leaders as friendly.

Nigerian officials commented that, despite the differences over South Africa, they found Mrs Thatcher less rigid than they had expected.

Barbara Slavin assesses a tour which signifies the end of Egypt's ostracism

Mubarak spreads his Gulf wings

PRESIDENT Hosni Mubarak tomorrow begins a fortnight of travel with a tour of the Arab Gulf countries intended to enhance Egypt's image as the one regional power capable of deterring Iranian aggression.

At a time when Iran appears to be preparing for another land offensive against Iraq and the so-called tanker war in the Gulf continues unabated, despite the presence of Western naval escorts, the Mubarak trip should provide a welcome psychological boost to Iraq's wealthy but frightened Arab neighbours.

Nine Arab countries, including five Gulf states, restored formal diplomatic relations with Egypt last November because they viewed it as a possible military counterweight to Iran.

But Egyptian and Western officials in Cairo caution that plans for concrete assistance are still very much in the "talking stage".

Dispatch of regular troops to fight in Iraq or to augment Gulf defences is "simply not on the cards now," said an official of the Egyptian Foreign Ministry.

President Mubarak has denied persistent rumours that 10,000 Egyptians would be sent to Saudi Arabia to replace outgoing Pakistanis in return for $4.5bn, the amount of Egypt's military debt to the US.

"This is nonsense, we are not mercenaries," he told the Kuwaiti newspaper Al-Anbaa in an interview published on Wednesday.

Egyptian public opinion would have difficulty supporting the commitment of large numbers of combat forces abroad. Egyptians have bitter memories of their ill-fated intervention in the Yemeni civil war of the 1960s, as well as four wars against Israel in which other Arabs seemed quite content to fight to the last Egyptian.

Egypt's Moslem fundamentalists have also made plain their opposition to entanglement in a marathon test of wills between two Islamic countries, especially on the side of Iraq, an avowedly secular country, against Iran, a fanatically religious one.

"We do not want to expand the war and neither do the Gulf Arabs," an Egyptian official said. "The question is, how can we help to limit it?"

Nevertheless, the Egyptian military is said to be examining a three-stage contingency plan for Gulf intervention whose final stage would be to send combat troops in a dire emergency. Step one is far more likely and politically palatable – sending additional air defence personnel to Kuwait. Stage two would be the despatch of pilots and aircraft.

Officials point to Egyptian involvement in Iraq as a model for bolstering the Gulf states. Almost since the Iran-Iraq war began in September 1980, Egypt has been providing military advisers, weapons and civilian labour to Iraq to enable that country to release its own men for front-line service.

Egypt has encouraged retired military officers to serve as advisers in Gulf countries. There are Egyptian air defence personnel in Kuwait and pilots serving as air force trainers in Bahrain and the United Arab Emirates. Officials said Egypt would be willing to expand such technical assistance, especially in conjunction with weapons transfers.

The Kuwaitis, whose air defences proved no match for Iranian Silkworm missiles last autumn, have expressed interest in acquiring, through Egypt, a system called Skyguard, of Swiss design and Italian manufacture.

The system, which Egypt has slightly modified and calls Amon, was among the weapons featured at an arms exhibition staged in Kuwait last month after the visit of Mr Abdel-Halim Abu Ghazala, the Egyptian Defence Minister. Egypt has 18 Skyguard batteries and could transfer some to Kuwait, along with air defence personnel.

The Egyptians are also hoping for a big infusion of Gulf money to the Arab Organisation for Industrialisation.

The AOI has its origins in an organisation founded by President Anwar Sadat in 1975 with the aim of building a modern weapons industry by and for Arab countries. However, its Gulf backers, Saudi Arabia, Qatar and the UAE, pulled out after Egypt signed its peace treaty with Israel in 1979.

Even without Gulf money, the AOI has succeeded in turning out some state-of-the-art weaponry, Western experts said, including a ground-to-air shoulder-fired missile, night vision equipment and laser range finders.

The AOI will be the Egyptian contractor for the American M-1 tank, whose manufacture in Egypt is expected to be formally approved at the end of the Reagan Administration about the time President Mubarak visits Washington later this month.

The Egyptian leader's visit to the Gulf, coming before his trip to Washington (plus a stopover in Europe en route to the US), symbolises the end of Egypt's ostracism by other Arabs for its peace treaty with Israel and restores some of its geopolitical weight as a spokesman for the Arab world.

But although the rhetoric of "Arab solidarity" is reaching another of its periodic crescendoes, analysts are cautious about predicting the degree of real co-operation which will result. In economic terms, as one noted, "there is a lot less loose money in the Arab countries now than there was 10 years ago".

Egypt still owes Gulf countries $2bn, debts which it froze when the Arabs broke diplomatic relations in 1979.

In military terms, even the six nations President Mubarak is visiting – Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain, Qatar and Oman – have found it difficult to co-ordinate, even though collective security was an important motive for establishing their Gulf Co-operation Council.

Egyptian President Hosni Mubarak

Turkey set to award military deal to US

By David Barchard in Ankara

A CONSORTIUM led by FMC, the US defence and aerospace group, has beaten West German and British competition to win a $1bn contract to manufacture amphibious armoured personnel carriers for Turkey.

The award, which still has to be confirmed in final negotiations, comes after 18 months of stiff competition between FMC in partnership with the Turkish company Nurol Insaat and two rival consortia led by Krauss Maffei of West Germany and GKN of the UK.

Krauss Maffei, with the Turkish company Ercan Holding, had proposed to build its Puma vehicle, while GKN, in partnership with Bilar, a subsidiary of Turkey's Koc Group, was offering the Warrior armoured personnel carrier. The Warrior is in production for the British army.

Turkey's military has expressed interest in manufacturing up to 3,000 vehicles, but the initial order is likely to be for about half that number.

The semi-official Anatolia News Agency said yesterday that the contract would be worth around $1bn.

Local content of the vehicles, which are to be built in Turkey, is expected to be around 73 per cent.

No details of the financing of the project were announced yesterday, but they are likely to include a substantial portion of US aid, as well as an offset arrangement reported to be worth $700m.

GKN said yesterday it had been beaten on price. The specification demanded for the vehicles was lowered by Turkey, and "we could not have come down to the required specification at the price Turkey wanted," the company added.

The award to FMC may reflect a desire to continue with a technology familiar to the Turkish armed forces and an improvement in the sometimes strained relationship between Turkey and the US.

The armoured carrier project is part of a $15bn investment programme to set up a domestic arms industry in Turkey. It has more than 600,000 men in its armed forces, the second largest in Nato, but they are generally acknowledged to be poorly equipped.

Afghanistan pullout 'may start in May'

Continued from Page 1

nadze has been discussing these issues in Kabul this week. At the same time, Mr Armacost has been consulting the guerrilla leaders based in Pakistan and the Pakistani Government.

Mr Shevardnaze said earlier this week that 1988 should be the last year of a Soviet presence in Afghanistan.

Mr Alexeyev said President Najibullah's People's Democratic Party of Afghanistan would continue to play a role as a political force in the country. But, significantly, he stopped short of saying it would be the dominant party following a Soviet withdrawal.

Mr Shultz insisted yesterday that Washington's goal was a "neutral" Afghanistan to which the 3.1m Afghan refugees in Pakistan could return and "have a voice" in the country's destiny.

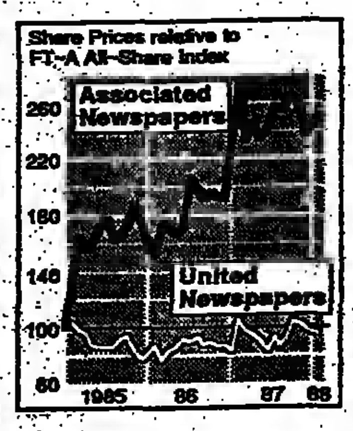
Mr Alexeyev, asked whether the policy shift on Afghanistan resulted from the recent Washington summit between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, said the meeting between the two leaders had been of "enormous importance."

A Soviet withdrawal would be a major political victory for President Reagan.

THE LEX COLUMN

Moderation on Main Street

It looks increasingly as if the gilt market's worries on interest rates may be justified. The Governor of the Bank of England made clear yesterday that if the economy goes on shrugging off the market crash as it has to date, the Bank wants rates higher. He also had a warning shot for equities: sterling's ceiling against the D-Mark is also to be treated as a floor, and if industry gets itself in trouble through rising wage costs, it cannot expect help from the exchange rate.



US retail spending

Nearly 12 weeks after the event, trying to assess the impact of black Monday on the US economy is still a bit like reading the entrails. In the absence of hard data for overall economic activity, yesterday's Christmas sales figures from a number of big US retailers provide some of the best clues so far.

News of a fairly merry Christmas – US retail spending rose perhaps 2 or 3 per cent faster than inflation in the run-up to the holiday – was met yesterday by audible sighs of relief. The "midnight madness" of pre-Christmas sales and unusual opening hours had proved a wise move. If the average consumer really was worried about the crash, his fears proved easy to assuage – with the help, that is, of sickeningly deep discounts from the retailer. The main holiday casualty will probably be retailers' profits, in expectation of which the sector is trading at an unusual 25 per cent discount to the S&P 500.

But though Christmas could have been better, there is little evidence that October 19 was to blame. By the middle of last year, the US consumer had already begun to see the virtues of a policy of retrench and repay; retail spending was stalling and will probably continue sluggish for the first half of the new year. For an economy used to getting a boost from the consumer, this may sound bad news; but after all, the cure for the trade imbalances at the end of the day lies in getting the US consumer to stop spending.

Oil market

The 3 per cent rise in the oil sector yesterday morning seemed to miss the essence of the latest – leaked – monthly oil report from the International Energy Agency. The market, wiped on a couple of bullish brokers' circulars, latched onto the idea that the IEA's new revised figures show considerably higher estimates for oil demand and only slightly higher production figures. The resulting lower level of stocks, the market reasoned, would mean more room for manoeuvre by Opec, and hence higher oil prices.

In fact the IEA does not appear to have changed its view at all; it has merely adopted a more detailed method of estimating consumption and production figures for developing countries. In doing so, it apparently discovered that it had been systematically under-estimating both, especially consumption.

The new figures might alter the real world of oil demand and supply if Opec members, oil companies and consumers made decisions on the basis of IEA estimates. But as most of the big players rely on their own figures, which in any case are typically higher than the IEA's, the impact will be limited.

The revision may nevertheless make itself felt in the short term if it influences the fragile psychology of the oil trader. But the oil market, which has long been aware that the IEA was preparing newer, more accurate figures, was unimpressed yesterday, and prices fell.

Associated Newspapers

Associated Newspapers is one of those companies that believes that its figures speak for themselves. Its preliminary statement for last financial year contains the minimum of information, as usual, but this cannot hide the fact that it continues to be one of the most successful UK publishing groups. It does not have the acquisitive bent of United Newspapers, and its proprietor rarely gets the same sort of attention as do Mr Robert Maxwell or Mr Rupert Murdoch, but a 24 per cent rise in pre-tax profits to £56.9m underlines its ability to maintain steady growth during a period of very heavy capital investment and unusually fierce competition.

Unlike most of its rivals Associated Newspapers is blessed with a strong balance sheet, and the sale of various investments has just about offset the £38.8m of redundancy costs in the latest figures. Associated has also fought off Mr Maxwell's assault on the Evening Standard very effectively, and the Daily Mail and the Mail on Sunday have both been able to increase their share of a middle market which is being squeezed at both ends. The margin on its newspaper operations has risen from 7.3 per cent to 9.4 per cent, and there is room for further substantial improvement once the move to Docklands has been completed by mid-1989. Associated does not have as broad a base as United Newspapers, but its earnings have not been diluted by acquisitions and its three flagship titles seem to be in a far healthier state than those of United. These factors, when combined with an asset backing which is well ahead of the current share price of 464p, help explain its superior rating both to United and the market.

Ladbroke

For a share classed under hotels and caterers, Ladbroke has been remarkably volatile of late – down 17p on Wednesday, up 11p yesterday. The reason has of course to do with recent events in the betting industry, which it now appears is not to be referred to the Monopolies Commission after all. As the largest of the big four bookies Ladbroke had most to lose, in proportional as well as absolute terms; even after the Hilton hotel purchase, betting should make up nearly 30 per cent of this year's trading profit.

The decision brings to an end an unhappy period for Ladbroke, stretching from the earlier OFT inquiry into the satellite system in betting shops through unfounded rumours – such as the supposed link with the Lester Piggott affair – which so damaged the share price last summer. This does not mean that the shares are out of the woods; the collapse of the dollar cannot be good for the hotel business, and there is still the matter of a flopped rights issue overhanging the market. There is also an older generation of fund managers who will never forgive Ladbroke for the casino scandal of a decade ago, but that is something the company will have to live with, fairly or not.

SEC signs pact with Canadians

By David Owen in Toronto

THE US Securities and Exchange Commission and its three leading Canadian provincial counterparts yesterday signed a broad securities enforcement agreement intended to expand co-operation between the two countries in securities fraud cases.

The agreement was signed in Washington by representatives of the SEC and the Ontario, Quebec and British Columbia securities commissions.

The deal follows similar enforcement agreements with authorities in the UK, Japan and Switzerland but is said to be much broader in scope. Most significantly, the Canadian pact will allow each country to use the other's subpoena powers to gather evidence in securities-related cases.

Mr Stanley Beck, Ontario Securities Commission chairman, said that he did not expect the agreement to affect the major insider trading investigation announced by his agency last summer. "It will help improve the flow of cross-border information in the fight against securities fraud," he added.

Former Morgan Grenfell chief to advise Wall Street firm

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

MR CHRISTOPHER Reeves, who was ousted as chief executive of Morgan Grenfell during last year's Guinness affair, is to become an international consultant for Merrill Lynch, the Wall Street investment firm.

He will be based in New York, and will advise Merrill on its strategy in the capital markets.

A Merrill spokesman said that Mr Reeves would have a worldwide brief, and that his consultancy was expected to last three or four months.

The spokesman denied a news report that the Bank of England had blocked the appointment of Mr Reeves as chief executive of Merrill Lynch's European operations because of his connections with the Guinness affair.

He said that Merrill Lynch was not seeking anyone to fill that post. However, Merrill has no chief executive for Europe, and its former chief operating officer for the region, Mr Jean Rousseau, left last summer.

The Bank of England declined to comment. The Bank, which is empowered by the Banking Act to remove banking executives whom it considers unfit for the job, sought the resignation of Mr Reeves a year ago after he was blamed for management failings which embroiled Morgan in allegations of breaches of the Companies Act in connection with Guinness's bid for Distillers Company. He was never himself accused of illegal activity.

The conduct of the bid, and Morgan's role in it, are now being investigated by the UK Department of Trade and Industry, and it is thought unlikely that the Bank would permit anyone under investigation to hold a top position in a bank over which it has jurisdiction.

China to agree deal for power station

BY NICK GARNETT IN LONDON

CHINA is believed to be ready to sign an agreement with GEC Turbine Generators of the UK for GEC to be main contractor for the Yue Yang power station on the Yangtse river near the city of Wuhan.

Another UK consortium lead by Balfour Beatty had been widely tipped last year to be the main contender for the complex after the Huaneng International Power Development Corporation had appeared to indicate that it would discontinue negotiations with GEC because it had submitted the higher bid.

However, it is understood that GEC officials have signed an agreement, which is likely to be announced today. Final details still have to be agreed but supply of equipment is worth £165m ($298m).

Work will begin almost immediately and is expected to last about 3½ years. It will provide work for GEC companies in turbine making, switchgear and transformers.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	15	59	Dubrovnik	F	14	57	Malta	F	17	63	Rhodes	C	17	63
Algiers	C	13	55	Edinburgh	S	4	39	Manchester	F	5	41	Rio de J'o	S	34	93
Amsterdam	C	6	43	Faro	S	14	57	Manila	C	31	88	Rome	S	6	43
Athens	S	18	64	Florence	C	15	59	Melbourne	S	38	100	Salzburg	C	6	43
Bahrain	C	19	66	Frankfurt	F	6	43	Mexico City	F	23	73	San Francisco	C	22	72
Bangkok	S	32	90	Funchal	F	17	63	Miami	C	22	72	Seoul	C	1	34
Barcelona	S	14	57	Geneva	F	6	43	Milan	F	7	45	Singapore	C	31	88
Beirut	S	18	64	Gibraltar	S	14	57	Montreal	C	-19	-2	Stockholm	S	1	34
Belfast	S	4	39	Glasgow	S	4	39	Moscow	C	1	34	Strasbourg	C	6	43
Belgrade	S	14	57	Guernsey	F	7	45	Munich	F	8	46	Sydney	S	29	84
Berlin	F	6	43	Helsinki	Sn	-8	18	Nairobi	F	27	81	Taipei	C	22	72
Biarritz	C	8	46	H. Kong	S	21	70	Naples	C	15	59	Tangier	S	13	55
Bombay	S	29	84	Innsbruck	C	3	37	Nassau	C	23	73	Tel Aviv	F	16	61
Bordeaux	F	7	45	Inverness	S	4	39	New Delhi	F	24	75	Tenerife	F	29	84
Brussels	C	6	43	Islamabad	F	22	72	New York	Sn	-5	23	Tokyo	F	6	43
Budapest	C	7	45	Istanbul	C	12	54	Nice	S	12	54	Toronto	C	-8	18
B. Aires	S	25	77	Jakarta	C	31	88	Nicosia	F	16	61	Tunis	S	16	61
Cairo	S	18	64	Jersey	F	7	45	Oporto	S	9	48	Valencia	S	13	55
Cape Town	S	21	70	Jo'burg	S	25	76	Oslo	S	15	59	Venice	C	6	43
Caracas	C	25	77	Lima	S	25	77	Paris	S	6	43	Vienna	R	4	39
Casablanca	C	15	59	Lisbon	S	14	57	Peking	S	-1	30	Warsaw	F	6	43
Chicago	C	-17	2	London	F	8	46	Prague	F	7	45	Washington	F	-11	12
Cologne	F	6	43	Los Angeles	F	16	61	Reykjavik	F	-3	27	Zurich	S	4	39
Copenhagen	S	7	45	Luxembourg	C	4	39								
Corfu	F	15	59	Madrid	S	7	45								
Dallas	C	-4	25	Majorca	S	14	57								
Dublin	S	2	36	Malaga	S	14	57								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Interest rates 'may rise'

Continued from Page 1

"The commitment to stability involves a readiness to prevent an undue depreciation of sterling, and industrialists should not expect cost increases to be validated by a weaker exchange rate," he said.

It was important that industry understood this now because a probable slowdown in output and thus in productivity could markedly worsen Britain's relative labour costs.

If the Bank does move to raise interest rates – and the final decision rests with Mr Nigel Lawson, the UK Chancellor of the Exchquer – the timing will depend not only on evidence on the pace of economic growth but also on sterling's value against the D-mark.

The pound has recently drifted down slightly from the DM3.00 level which the authorities last year established as a ceiling. The Treasury and Bank of England, however, would be anxious to avoid any move which would put renewed upward pressure on the currency and perhaps necessitate a further round of intervention in foreign exchange markets.

Turning to the international scene, Mr Leigh-Pemberton said that some progress had been made in improving international policy co-ordination, but more needed to be done.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday January 8 1988

US retailers show strong sales gains in December

BY ANATOLE KALETSKY IN NEW YORK

US RETAILERS reported generally healthy sales gains for December yesterday, confirming hopes that the October stock market crash had made a relatively small dent in Christmas shopping around most of the country.

Prices of most retail shares rose modestly on Wall Street, despite a general decline in the stock market, as analysts expressed cautious optimism about retailers' prospects in the light of the December sales figures.

Yesterday's store sales figures came a day after the announcement of modestly favourable car sales by US car manufacturers and implied that there would be no signs of imminent recession in the official economic statistics for the end of 1987, which will start being released from next week.

However, Mr Edward Weller of Montgomery Securities, said that while the December sales figures were somewhat better than expected, they suggested that retailers had been forced to resort to widespread price cutting to move Christmas merchandise.

The figures also confirmed that the rapid growth of consumer spending which had been fuelling US economic growth since the 1982 recession has been steadily decelerating since the end of 1986

A typical assessment came yesterday from Mr Michael Bozic, chief executive of Sears Merchandise Group, the Sears Roebuck subsidiary which is the nation's largest retailer. Sales for December "nearly matched our expectations despite the most competitive Christmas season in history," he said.

Sears reported a sales gain of 4.4 per cent since last Christmas in stores which have been open for a year or more. Including newly opened stores, Sears sales were up 4.9 per cent.

While these figures suggested little if any growth in sales volumes, after taking account of inflation in the 4 to 4.5 per cent range, Sears' results for December were better than for 1987 as a whole. For the 48 weeks ended January 2, Sears sales grew only 2.9 per cent on a comparable store basis and 3.3 per cent overall.

K mart, the second biggest retail chain, also reported some acceleration in sales over Christmas, with a gain of 5.7 per cent in comparable stores for December, against growth of only 4.2 per cent for the year as a whole.

J.C. Penney's sales followed a similar pattern, with comparable sales gains of 8.3 per cent in December and 5.6 per cent for the year.

Sears shares were unchanged at \$35⅛ in morning trading, while K mart rose ½ to \$32¼ and Penney fell \$2⅜ to \$44¼. The retailer whose performance was best received in the stockmarket was May's, a chain which specialises in relatively downmarket stores.

May's shares rose \$1⅛ to \$33, after it reported comparable store gains of 6.5 per cent in December and 4.1 per cent for the year.

The weakest performance among the leading retailers came from The Limited, an upmarket company with big exposure to the women's fashion sector.

The Limited's comparable store sales fell 2 per cent in December and rose 3 per cent for the year as a whole. Its share price rose \$⅜ to \$20.

Morgan Grenfell merges units

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

MORGAN GRENFELL, the UK merchant bank, has merged its two US subsidiaries, C.J. Lawrence Inc and Morgan Grenfell Inc, to strengthen its presence on Wall Street.

The combined operation is to be rehoused in one building and will be run by Mr James Moltz, the former chairman and chief executive of C.J. Lawrence.

Mr Christopher Whittington, Morgan's chief operating officer, said: "This means our business in the US will be run as an American operation by an American."

Morgan acquired C.J. Lawrence last year. It is a long established broker dealer with 1,600 institutional clients, most of them in the US, known for its strength in distribution and research

Morgan's own business in New York consists of a small international equities team, and operations in mergers and acquisitions, swaps and risk arbitrage.

The combined business, which will have about 350 employees, will be known as C.J. Lawrence, Morgan Grenfell Inc.

●Citicorp, the largest US bank group, is sacking nearly 16 per cent of the employees in its North American investment banking division, **writes our New York staff.**

The cut, which will involve about 400 redundancies out of Citicorp's total domestic and Canadian investment banking staff of 2,500, will be concentrated in the bank's New York headquarters.

But Citicorp officials admitted that further job losses were likely to follow among the 9,000 international employees of Citicorp Investment Bank. The investment bank operates in more than 80 countries, with its biggest offices in London and Tokyo.

The announcement follows 5,000 staff cuts which Citicorp has already implemented in its institutional commercial banking business and a reduction of 1,000 in the New York retail bank which was announced before Christmas. While many of the commercial banking cuts were accomplished by attrition and job transfers, most of the 400 redundant employees in the investment bank are likely to have their jobs ended.

Statoil names new chairman of board

By Karen Fossli in Oslo

THE BOARD of Statoil, Norway's state oil company, has named Mr Harald Norvik, 41, as the new president of the company, succeeding Mr Arve Johnsen, who stepped down from his position following disclosures of an attempt to cover up a budget overspend of Nkr6.4bn in the Mongstad refinery and terminal expansion project.

Mr Norvik, who will commence his post at Statoil on May 1, was appointed to Statoil's new board at the end of November after a head rolling exercise undertaken by Mr Arne Oeien, Norway's oil minister, over the Mongstad affair.

In accepting his post, Mr Norvik will resign today his position as Statoil board member and his position as the president of Astrup Hoeyer, an Oslo based civil engineering and construction firm which is a member of the large Aker Norcem industrial group.

During 1978, Mr Norvik was the personal secretary of the Norwegian Prime Minister at the time, Mr Oddvar Nordli, a member of the Labour Party.

Following that assignment, he was appointed state secretary in the ministry of oil and energy where he presided during 1979-81. When the Labour Party lost the national election in 1981, Mr Norvik was headhunted to the Aker group, where he rose quickly to a leading position within the group.

Mr Norvik, who said he has no specific management philosophy, would not be drawn on the question of the outgoing Statoil president's handling of the Mongstad affair.

Mr Johnsen leaves the position as Statoil president on January 15. The country's oil minister will have to appoint a replacement to the Statoil board.

Alice Rawsthorn looks at the end of an era in the European clothing industry

Burton cuts its ties with manufacturing

THE BURTON Group, which prides itself on being the model of a modern British retailing concern, has shed the final vestiges of its origins as 'Montague Burton: Tailor of Taste', by selling its last surviving manufacturing interests.

Burton, which was once one of the largest clothing manufacturers in Europe, closed and sold most of its production plants in the 1970s. The three remaining factories – in Goole, Guisborough and Hartlepool, all in the North of England – were sold yesterday to two privately owned clothing businesses, J.R. Clothes and Alexandre of England.

The sale of the factories marks the end of an era for Burton. Manufacturing has played a part in the life of the business ever since the early 1900s when its founder, Sir Montague Burton, set up a small workroom above his tailor's shop in Chesterfield.

By the 1920s Sir Montague had established a string of clothing factories in the North, chiefly in and around Leeds, and a chain of 'order points' where customers went to order bespoke suits. During the two world wars the factories thrived by manufacturing army uniforms.

When its founder died in the early 1950s, Burton had staved off its local Leeds competitors such as John Collier and Hepworth, to become the biggest multiple tailor in the world with more than 600 outlets.

But by the 1970s Burton, like so many of the old style vertically integrated clothing concerns which made and sold their own garments, was fading fast. Consumer taste had become more casual. The days of men sporting suits for 'Sunday best' were over.

Burton was left with a string of factories, many designed to mass-manufacture the suits that men no longer wanted to wear. It entered the 1970s with 14 factories employing 12,000 people across the country. By the end of the decade all but a few of the factories had been closed or sold.

The future for Burton lay in the new style of specialist retailing pioneered within the group by Sir Ralph Halpern, the present chairman, when he developed the Top Shop fashion chain in the late 1960s.

Today Burton is a thoroughly modern member of the service sector. Its retail interests range from department stores selling almost everything and shops selling nothing but lingerie. The aesthetics of its annual report owe more to Vogue magazine than to the annals of the auditing profession. The amorous antics of its chairman have been splashed all over the popular press.

The three factories have been sold intact, with their 1,450 employees, for an undisclosed sum and will continue to supply the group's stores. But, as one of Burton's main board directors said yesterday: 'They just did not fit in any more'

Sanofi launches Robins bid

BY JAMES BUCHAN IN NEW YORK

SANOFI, the young and ambitious French pharmaceuticals company, launched its bid to break into the US market yesterday with the publication of a complex plan to buy into A.H. Robins, the US drug group operating under Chapter 11 of the US Bankruptcy Code.

The plan has the support of Robins' management and founding family, but is running into growing opposition from the Richmond, Virginia company's institutional *stockholders*.

The plan, which was filed with the court supervising Robins' bankruptcy in Richmond late on Wednesday, pits the 15-year-old French company against two US pharmaceuticals groups, Rorer and American Home Products, in a battle for control of Robins, which took refuge in bankruptcy from a deluge of claims for injury from Robins' Dalkon Shield intra-uterine device.

"We're here to fight and win," said Mr Jean-Francois Dehecq, Sanofi vice-chairman in New York, yesterday. But Mr Wilbur Ross, an investment banker advising Robins' non-family shareholders who control 60 per cent of the company, said yesterday: "We do not believe that the Sanofi plan will be the successful bid," he said.

While Sanofi has the initiative with the support of 40 per cent of the shareholding, Wall Street is hoping the other bidders will improve their terms to stockholders.

The two US companies were yesterday feverishly lobbying on Wall Street against the Sanofi plan, which is complex even by the standards of US bankruptcy proceedings and weighs more than 6lb unbound.

Under the Sanofi plan, the French company will invest \$600m in Robins, guarantee a \$2.475bn letter of credit to settle the Dalkon Shield claims in return for a 58 per cent stake in 1992. In contrast, Rorer and American Home have offered to buy out Robins shareholders with their own shares.

Cardo buys control of Gambro

BY SARA WEBB IN STOCKHOLM

CARDO, the Swedish industrial holding company, agreed yesterday to pay about SKr800m (\$135m) for a 50.2 per cent controlling stake in Gambro, the Swedish manufacturer of kidney dialysis and intensive care equipment.

It is buying the shares from Sonesson, a subsidiary of the Swedish automotive group Volvo, which had 31 per cent of the share capital and 47 per cent of the voting rights in Gambro, and from the Crafoord Foundation, a trust set up by the founder of Gambro.

Cardo, in which Volvo has a 47 per cent voting stake, agreed to pay an average price of SKr110 per share, representing a premium of 15 per cent on the market price of SKr96.

Canadian bank sets up broking subsidiary

By our Financial Staff

THE NATIONAL Bank of Canada, the country's sixth largest chartered bank, has set up a full-line discount brokerage subsidiary and is not actively seeking to buy a Canadian investment dealer, says Mr Michel Belanger, chairman

NBC decided last summer that buying control of an investment dealer under deregulation of the financial services industry would be too expensive.

It had been widely rumoured to be negotiating a deal with Quebec's largest brokerage company, Levesque Beaubien Inc.

The discount brokerage operation has required the outlay of about C\$1m (US\$770,000) only and should break even in the first year.

If demand builds up as hoped, it will develop into a full service investment firm, including corporate underwriting at some point in the future.

INTERNATIONAL COMPANIES & FINANCE

Tim Dickson on the fierce tactics adopted in the latest insurance takeover wrangle

Assubel bid battle raises Belgian hackles

BELGIUM'S INSURANCE sector is once again a battleground for the ambitions of the country's powerful holding companies. But the bitter fight for control of Assubel Life between its domestic rival, Groupe AG, effectively controlled by Societe Generale de Belgique, and the large state-owned French insurance concern, Assurances Generales de France (AGF) — which is supported by Mr Albert Frere's Groupe Bruxelles Lambert (GBL) — is raising wider issues which could affect the way in which takeover bids are conducted in future.

The saga began in earnest just before Christmas when Assubel announced agreement in principle for AGF to take a 20 per cent stake for an undisclosed sum. That move has the support of a majority of the Assubel board, including Baron Gaston de Gerlache, the chairman. But some directors and several important shareholders, notably Societe Generale de Belgique, have thrown their weight behind a full counterbid subsequently launched by Groupe AG with a view to acquiring 51 per cent of the Assubel equity.

Feelings about tactics involved have been running high this week. In a dramatic development on Tuesday Societe Generale successfully sought a court injunction preventing Assubel from voting on the Groupe AG offer and from pushing through the authorised capital increase which would enable it to issue new shares to AGF.

At the *same time* Belgium's Banking Commission, the Government-controlled body which discreetly polices stock market activity, has rapped Assubel over the knuckles for the content of a recent press statement, and is known to be taking a close look at the methods which Assubel and Groupe AG have been using.

The fight for Assubel brings to mind last year's battle for control of Royale Belge, the second largest Belgian insurer, which headed off a bid from the aggressive Paris based insurance group Axa only to end up being controlled by Groupe Bruxelles Lambert, Belgium's second biggest holding company, and (ironically) another French company Union des Assurances de Paris (UAP).

BIG THREE BELGIAN INSURANCE COMPANIES (BFr bn)	Groupe AG	Royale Belge	Assubel
Premium income	36.06	33.04	13.00
Net profit	1.75	3.38	0.35
Market capitalisation	39.22	65.62	7.44*

*Based on AG's bid at BFr6,000 per share. Source: Dewaay

The Gallic insurance invasion of Belgium is being driven by the perceived need to create large cross-border groups to take advantage of the barrier-free internal European market, due to come into effect in 1992. As a northern neighbour with, at least in part, a common language, Belgium is seen as a happy hunting ground for the expansionist French industry, not least because its largely family-owned insurance industry enjoys Government protection and fat profit margins on its life business, but yet has been far from dynamic in the past. Recent speculation that British insurance companies have undercut Belgian competitors to win sizeable fire and other general contracts from major Belgian utilities has reinforced the belief that some restructuring is essential to meet the challenge of the next decade.

The question now being answered is how Assubel, a non-quoted company which called off a planned stock market flotation apparently in the wake of the battle for Royale Belge, fits into this overall picture.

Ostensibly Groupe AG's bid is designed to "preserve the Belgian character" of its smaller rival — a phrase reminiscent of last year's row over Royale Belge — but it is no secret that Groupe AG is alarmed at the prospect of its two major domestic competitors effectively falling into foreign hands. What it is seeking is an enlarged "home" base from which to launch its own pan-European ambitions.

If Groupe AG has a powerful ally in its "parent" Societe Generale, a 10 per cent shareholder in Assubel, AGF and the pro-AGF members of the Assubel board are not without friends. AGF's chairman Mr Michel Albert, for example, is a member of the board of Pargesa, the Swiss holding company which is the most important shareholder in Groupe Bruxelles Lambert (GBL) Belgium's second largest holding company. GBL has a 4.2 per cent stake in Assubel and its "camp" is thought to include Cobepa, another Belgian holding company and the supermarket groups GB Inno BM and Delhaize.

A key role, however, could be played by the Banking Commission which in the absence of formal takeover rules in Belgium exercises considerable influence behind the scenes. The Commission's apparent silence in the Royale Belge saga, which finally ended with a share buy-back deal with GBL and UAP that in the wake of the stock market crash had been expensive for Royale Belge shareholders, was criticised at the time of the Royal Belge deal. This time it appears to be playing a more robust and open role.

Most particularly under scrutiny at the moment is an article in Assubel's statute which gives the company's board the power to find an alternative at the same price if it does not like a particular buyer of its shares.

A number of Stock Market participants are finding this and other legal defensive structures increasingly unacceptable.

Nedlloyd loss after writedown

By Our Financial Staff

NEDLLOYD, THE Dutch diversified shipping group, has suffered a loss of Fl 990m ($535m) for 1987 following a once and for all Fl 1bn writedown of its fleet and offshore drilling rigs.

The company, which announced last month that it would incur a heavy loss for 1987, confirmed yesterday that there would be a strong recovery to profits of more than Fl 100m for the current year. In 1986, Nedlloyd made a net profit of Fl 71.6m.

Nedlloyd, which stressed that it would pay some sort of a dividend for last year, said that asset writedowns were mostly caused by the weakness of the dollar. The assets had been bought in dollars when the US currency was substantially higher, it explained.

The company is to place Fl 175m worth of preferential shares at par with Dutch financial institutions. The move will double Nedlloyd's capital.

Full results for 1987 will be published on April 21. Trading in Nedlloyd shares, which was suspended on the Amsterdam bourse in mid-December at Fl 139, is to resume today.

Three top men quit Finnish group

By Olli Virtanen in Helsinki

NOKIA-MOBIRA, the Finnish mobile telephone manufacturer fully owned by the Nokia Group, has lost three key directors following a dispute over corporate strategy. The defectors include Mr Jori Nieminen, managing director of Nokia-Mobira, and board member of the Nokia Group, as well as Mobira's directors for corporate planning and finance.

The three announced yesterday that they planned to form a new company but gave no details.

The dispute concerned Nokia's decision to separate cellular systems from Nokia-Mobira in November. Mobira's management opposed the move and Mr Nieminen was transferred from his position to a "special assignment."

Mr Nieminen has held his position since 1979 and is widely tributed for making Mobira arguably the world's leading maker of mobile telephones, with a global market share of 16 per cent.

GFSA cuts operating costs

BY JIM JONES IN JOHANNESBURG

GOLD FIELDS of South Africa (GFSA) has surprised itself by cutting overall operating costs at the seven gold mines it manages during the final quarter of 1987.

In Johannesburg yesterday Mr Alan Wright, *general manager* of the gold division, said that no single factor was responsible for cost reductions or small increases at individual mines. He expected reductions to be reversed during the current quarter, but said that increases were unlikely to exceed inflation.

Although the group as a whole reported a higher average gold recovery grade than in the September quarter, the increase was not general. The west division of the Driefontein Consolidated mine, the group's largest individual *ore producing section, suffered* simultaneous grade declines in each of its three principal working areas.

Mr Wright expected the grades to recover in the current quarter to March but cautioned that the December quarter's grade increase would not be maintained at Driefontein's east division. He says it could fall to 12 grams per tonne (g/t) over the rest of this year from 13.5 g/t in the December quarter.

GOLD FIELDS OF SOUTH AFRICA QUARTERLIES	Gold produced (kg)		After-tax profit (Rm)		Earnings per share (cents)	
	Dec 87	Sep 87	Dec 87	Sep 87	Dec 87	Sep 87
Deelkraal	2,235	2,063	36.14	30.46	23.8	21.3
Doornfontein	1,940	1,915	8.12	8.90	(2.1)	(0.4)
Drie Cons	17,438	17,237	154.49	147.51	55.3	113.5
Kloof	7,470	7,560	113.21	104.66	29.2	34.6
Libanon	2,132	2,088	18.89	17.08	21.1	101.0
Venterspost	1,560	1,560	5.62	5.38	22.8	97.4
Vlakfontein	214	217	0.22	1.00	(35.6)	(23.1)

Earnings per share calculated after tax and capital expenditure. Parentheses = negative

Doornfontein again failed to generate sufficient after-tax profits to cover necessary capital spending and Mr Wright warned that profits would remain poor for about three years and until deep Carbon Leader reef could be mined from the new No. 3 shaft.

Kloof, the richest of the group's mines, suffered a small grade decline to 13.8 g/t but Mr Wright said this had been reversed and that the mine was likely to produce at least 14 g/t for the whole year.

Jobs to go in Brown Boveri restructuring

By Our Financial Staff

BBC BROWN BOVERI, the Swiss heavy electrical engineering group which is to merge with its Swedish rival, Asea, will eliminate 400 jobs from its high-tension switching operations in Switzerland as part of a restructuring plan.

The company said the cuts, to take effect over the next 12 to 16 months, are part of a plan announced in 1986 to eliminate 1,500 jobs over two years. A Brown Boveri official *said*: "We cut 700 jobs during 1987, and this is the second part of the programme. We have to boost productivity in Switzerland."

DM1bn issue for Austria claimed as a benchmark

BY CLARE PEARSON

AUSTRIA STOLE the limelight in yesterday's busy Eurobond new issues market when it issued a DM1bn bond, the largest straight fixed-rate issue yet seen in the D-Mark sector.

The bond was hailed as a new benchmark for the D-Mark Eurobond market, as its size should ensure that it will be very actively traded.

International investors in particular rushed to buy it, and dealers noted that the expectation that withholding tax will be imposed on domestic securities from next year had fuelled demand for sovereign deals in the Eurobond sector.

The 6¼ per cent 10-year bond, led by Deutsche Bank, was bid 1¼ percentage points below its 100¼ issue price, well within its 2½ per cent fees.

The announcement of Austria's bond triggered some switching out of existing supranational bonds. Outside that segment of the market, D-Mark Eurobond prices were little changed, with the narrow trading range of the dollar providing little impetus.

D-Mark domestic bonds also traded quietly, with prices drifting down by about 20 basis points. The announcement that the Bundesbank was reducing the amounts banks can borrow through the so-called discount facility was not thought likely to cause upward pressure on interest rates, and was accepted as a technical reaction to high levels of liquidity.

The new issues market for Japanese equity warrants bonds – closed since last October's stock market crash – was successfully reopened after Tokyo share prices had rallied sharply earlier in the week.

Daiwa Europe's $80m deal for Hokkai Can, and Nomura International's $100m bond for Joshin Denki, the electrical appliances retailer, both traded above par issue prices at 101½ and 102 bid respectively.

Although it now looks as if more issues will follow, the Japanese securities houses seem determined to handle them with kid gloves. An executive at one said the houses would probably strive not to flood the market with previously postponed deals in the coming weeks.

Both yesterday's five-year bank-guaranteed bonds bore indicated 5 per cent coupons, some 1⅜ points higher than the level before the crash. Hokkai Can's issue was a relaunch after the issue, then carrying a 3¾ per cent coupon, was withdrawn in October.

Three new issue houses were all thinking alike yesterday morning as they each launched a Canadian dollar bond, on very similar terms, within the space of about an hour.

The bonds were spurred by nibbling interest in Canadian dollars from Continental investors, who had not until this week seen any new issues for some time. But dealers said their appetite for Canadian dollar paper was now probably more than satisfied.

INTERNATIONAL BONDS

All yesterday's bonds were for five years with 10⅛ per cent coupons, but Ford Credit Canada's C$100m bond was priced at 101, a C$75m deal for the Canadian subsidiary of Household Finance Corporation, the US retail financial institution, at 100⅜, and CIBC Mortgage Corporation's C$100m issue at 100⅝.

The issue for Ford, traditionally a popular name with European investors, led by J.P. Morgan Securities (the new name for Morgan Guaranty Ltd) was voted best of the bunch and was bid about ¾ percentage point lower than its 1⅞ per cent fees. It was guaranteed by Ford Motor Credit.

CIBC Mortgage Corporation's issue, led by CIBC, traded at similar levels. But Household Finance Corporation's bond, led by UBS (Securities) seemed to bear the brunt of Continental investors' lack of enthusiasm for issues by financial institutions. It was quoted at one point at less 2¾ bid but closed around its total fees.

In secondary market trading, 10-year Eurodollar bond prices outperformed a weakening US Treasury market and closed about ½ point lower in thin volume. Treasuries were upset by rising commodity prices and uncertainties about the near-term trading range of the dollar.

Swiss franc foreign bond prices consolidated yesterday. A SFr200m 10-year 4¾ per cent issue for Nippon Telegraph and Telephone, launched on Wednesday, improved in the grey market to less ¾ bid.

A SFr100m issue for the Bank for Foreign Economic Affairs of the USSR – the first public bond by a Soviet borrower since the 1917 revolution – has been substantially oversubscribed and syndication closed early, the lead-manager said.

Bank fuer Kredit und Aussenhandel, which launched the deal on Tuesday, said it had had to reduce allocations to co-managers. Nordfinanz-Bank, S.G. Warburg Soditic, and Dresdner Bank are all among the co-management team.

Dealers had initially predicted that small Swiss investors would not be interested in the issue. But BKA said such investors, through the smaller Swiss banks, had been showing interest in the 10-year bond, which has an indicated 5 per cent coupon and is expected to be priced at par.

A SFr75m 10-year 5¼ per cent bond launched this week for Waerth Finance International was bid at less ½ yesterday.

IBJ International announced a small Euroyen issue for Skopbank, the Finnish bank. The Y3bn issue carried a price of 101⅞ per cent and a 1993 final maturity. The coupon steps up from 2.5 per cent initially to 7.1 per cent.

●In the US domestic market, BP America launched a $250m, 10-year issue guaranteed by the UK parent. It carried a coupon of 9⅛ per cent and a price of 99.3, yielding 9.61 per cent or 80 basis points over Treasuries at the time of launch. Lead manager was Goldman Sachs.

BP America was created when the former BP subsidiary, BP North America, was rolled into Standard Oil, of which BP gained full contol last year.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 7

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	93	93⅜	−0⅛	−0½	9.55
All Nippon Air 9⅞ 97	100	94	94⅜	−0½	0	10.35
American Brands 8⅞ 92	150	96½	97	−0¼	−1⅛	9.77
A/S Eksportfinans 7⅞ 93	100	92¼	92¾	+0¼	+0¼	9.32
A/S Eksportfinans 7¾ 92	150	93⅛	93⅝	−0⅛	0	9.28
Barc. Bk. Fin. 10¼ 89	200	†102½	103	+0⅛	−0⅛	8.64
Belgium 9⅛ 92	400	†99⅜	99⅞	−0⅛	−0⅛	9.27
British Telecom 7⅞ 96	250	86¾	87¼	−0⅛	+0⅛	9.90
British Telecom 8⅞ 94	150	97⅞	98⅛	+0⅛	+0½	9.30
Canada 9 96	1000	98⅜	98⅝	−0⅛	+1	9.28
Canadian Pac 10⅜ 93	100	†103¾	104¼	0	0	9.80
C.C.C.E 7⅞ 91	113	†93¾	94¼	−0½	−1¼	9.05
C.N.C.A 7¼ 91	150	93⅛	93⅝	−0¼	−0⅛	9.33
Coca-Cola Ent. 8⅞ 90	100	†100	100½	+0⅛	−0⅛	8.10
Credit Lyonnais 9 91	200	99¾	100¼	0	−0⅛	8.98
Credit National 7⅞ 92	100	93¾	94¼	−0¼	−0⅛	9.10
Credit National 7⅞ 91	150	94⅛	94½	−0¼	−0⅛	9.04
Denmark 7⅞ 92	500	92⅛	92⅝	−0⅛	−0⅛	9.41
Denmark 8¼ 91	300	†99¼	99¾	−0⅛	+0⅛	8.39
E.E.C 7 91	100	93¾	94¼	−0⅛	+0⅛	8.88
E.E.C. 7¼ 93	250	92¼	92¾	−0⅛	+0½	9.13
E.E.C 8¼ 96	100	91½	92⅛	−0½	+0⅛	9.71
E.I.B. 7⅝ 93	100	92¼	92¾	−0⅛	+0⅛	9.32
E.I.B. 9⅜ 97	150	97¾	98¼	−0¼	+0⅛	9.69
Finland 7⅞ 97	200	88⅛	88⅝	−0⅛	+0⅛	9.87
Finland 7⅞ 93	200	91¾	92¼	−0⅛	−0⅛	9.36
Ford Motor Cred 11⅞ 90	100	105⅛	105⅝	−0¼	−0⅛	8.46
Gen Elec Credit 10¼ 00	200	102	102⅜	+0⅛	−2⅛	9.91
G.M.A.C. 8 89	250	98¾	99⅜	0	−0⅛	8.64
G.M.A.C. 8¼ 89	200	100	100⅜	−0⅛	−0⅛	8.10
Hoesch 8¼ 97	100	†88¾	89¼	−0⅛	−1¾	10.13
Hoesch 7⅞ 92	100	†95¾	96¼	−0¼	−0⅛	8.53
Hoesch 7⅞ 94	300	†93¼	93¾	+0¼	−0¼	9.28
Liberty Mutual 8½ 96	150	†93⅝	93⅞	−0½	+0⅛	9.61
L.T.C.B of Japan 8 91	100	96⅛	96⅝	−0⅛	−0½	9.20
L.T.C.B.of Japan 8 97	200	86⅛	86⅝	−0½	−0⅛	10.37
Mercds-Benz Cred 8¼ 92	100	—	—	—	—	—
Mitsubishi Fin. 7⅞ 93	100	†91	91½	0	−0⅛	9.89
Mutual America 7⅞ 92	100	†93¾	94¼	−0⅛	−0⅛	9.99
Norway 7¼ 91	500	†96¾	97¼	−0½	+2⅛	8.22
Pepsico Inc 7⅞ 93	200	†92¼	92¾	0	+0⅛	9.25
Prudential Crp. 8¾ 94	125	96⅛	96⅝	−0⅛	+0⅛	9.44
Qantas Airways 10⅜ 95	140	102⅛	102½	−0¼	+0⅛	9.91
Rep. of Italy 9 90	1000	100¾	101¼	−0⅛	−0⅛	8.54
Saab Scania 9½ 97	125	†102	102½	−0¼	−0⅞	8.63
Saskatchewan 10⅜ 92	100	104¾	105¼	−0¼	−0⅛	9.23
State Bk S Aust 9¼ 93	100	98¾	99¼	−0⅛	−0⅛	9.62
Swedish Expt.Crd.7⅞ 91	100	†94	94½	−0⅛	+0⅛	9.04
Swed Exp Cred 10 92	100	103¾	104⅛	−0¼	−0⅛	8.83
Sweden 7 91	250	94⅛	94⅝	−0⅛	−0⅛	8.81
Sweden 7 92	250	†93¼	93¾	−0⅛	−0⅛	8.95
Sweden 8¾ 96	200	94¾	95¼	−0⅛	0	9.65
Sweden 8½ 92	200	98⅝	98⅞	−0⅛	+0⅛	8.89
Taiyo Finance 7⅞ 94	100	90⅛	90⅝	+0½	+0⅛	9.90
Toyota Mtr.Cred.7⅞ 92	150	†92¾	93⅛	0	−0⅛	9.23
Victorian Rep 11⅞ 92	150	107	107½	−0½	0	9.47
World Bank 7 92	300	†93⅞	94	−0⅛	+0⅛	8.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day −0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅞ 94	45	97¼	97½	−0⅛	0	5.33
E.I.B. 4⅝ 94	40	97⅜	97⅞	−0⅛	+0⅛	5.07
Elec. De France 5⅛ 94	20	100	100½	−0⅛	+0⅛	5.07
Kansai Electric 4⅞ 94	60	96	96⅜	0	−0⅛	5.33
Norway 4¼ 92	60	97½	97¾	−0⅛	0	4.87
Rep. of Italy 5⅜ 92	150	103½	103¾	−0⅛	0	4.76
Sweden 4⅝ 92	50	98	98⅜	0	0	4.81
World Bank 5½ 92	50	103¼	103½	0	0	4.68

Average price change... On day −0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aegon 5⅞ 91 Fl	100	101	101¾	0	+0⅛	5.33
Aegon 8¼ 89 Fl	100	102⅞	103⅜	0	−0½	6.20
Air Products 6⅞ 91 Fl	100	100¾	101½	0	0	6.33
Alg. Bk. Ned. 5⅞ 91 Fl	100	100⅞	101⅝	0	+0⅛	5.36
Alg. Bk. Ned. 7⅞ 89 Fl	150	102⅞	103⅝	0	0	5.80
Alg. Bk. Ned. 8 89 Fl	200	102¼	103	0	+0⅛	5.30
Barc. Bk. 10¼ 97 £	250	96⅜	96¾	−0⅞	−1⅝	10.84
BP Capital 13¾ 92 A$	75	101¼	101¾	−0⅛	+0¼	13.23
Creditanstalt 14⅛ 90	60	†101½	102	−0¼	+1	13.13
Denmark 7⅞ 92 ECU	100	101	101½	−0⅛	−0⅛	7.38
DG Fin. Co. 13¾ 90 A$	50	†105	106	+0⅛	+0½	11.18
DG Fin. Co. 14 90 A$	75	†102	103	+0⅛	−0⅛	12.72
DG Finance 14⅛ 92 A$	50	†104	104½	0	+1⅛	12.96
Deutsche Bank 9⅞ 97 £	75	†97	97½	−0⅛	−1	10.34
Deutsche Bk.14¼ 92 A$	100	†104¼	104¾	0	0	12.75
Dresdner Fin.13⅞ 91 A$	100	†101¼	101¾	−0¼	+0¼	13.22
Electrolux 8 89 Fl	60	102¼	105	0	−0⅛	5.76
E.I.B 8⅜ 93 LF	1000	†102⅞	103⅛	0	0	7.97
Euratom 7⅞ 97 ECU	145	93¼	93¾	−0⅛	0	8.40
Euratom 11½ 00 Fl	150	102⅛	102⅞	+0⅛	−0⅛	0.05
Eurofima 7½ 92 Fl	50	104¼	105	0	+0¼	6.23
Eurofima 17½ 89 NZ$	90	†102¼	103¼	+0½	+2	15.59
Finland 6 91 Fl	100	100¼	101	0	+0¼	5.81
Ford.Mtr.Cred.13⅜ 91A$	75	99¾	100½	+0⅛	+0⅛	13.64
G.M.A.C. 9 92 £	50	97¼	97¾	−0⅞	−2⅛	9.69
G.M.A.C. 9¼ 92 C$	75	96¼	96¾	−0⅛	+0½	10.25
G.M.A.C Aus.Fin.14 90 A$	50	100⅞	101⅜	+0⅛	+0¼	13.34
Halifax BS 10⅜ 97 £	100	96⅞	97⅜	−0⅛	−1⅛	10.87
Heineken NV. 6½ 91 Fl	150	†102¼	103½	0	+0⅛	5.36
Honda Mtr.W/W 3⅞ 90 Fl	100	†111¾	113¾	+4	+4	−1.76
Hunter Dglas. N.V. 7 91 Fl	50	101¼	102	0	+0¼	6.40
Imp Chem Inds 10 03 £	100	94	94⅜	−0⅛	−1⅝	10.79
Inv.in Ind.Intl 10 93 £	60	99⅛	99⅝	−0⅛	−1¼	10.13
Leeds B.S 10½ 91 £	50	100⅛	100⅝	−0⅛	−1½	10.32
Mort.Bk.Denmark 6 91 Fl	150	99¾	100½	0	+0¼	5.96
Mtge. Bk. Dn. 6⅞ 91 Fl	100	102	102¾	0	+0¼	5.89
Nat.Australia 14 92 A$	50	101⅝	102⅜	−0⅛	0	−0.30
Nat. West.Bk.13⅞ 92 A$	50	†100½	101	−0⅛	+1¼	12.88
Nationwide BS 10⅛ 93 £	75	†99⅝	100⅛	−0⅛	−1	10.13
New Zealand 7⅞ 93 ECU	200	97⅞	98⅜	−0⅛	−0⅛	8.20
Oesters.Ktrlbk.13½ 94 A$	75	103⅛	103½	−0¼	+0½	12.82
Prudential Fin.9⅞ 07 £	150	87⅛	87½	+0⅛	−1⅜	10.97
S.D.R. 7⅞ 95 ECU	90	97¼	97¾	−0⅛	−0⅛	8.22
Tsthouse Forte 11⅛ 90£	50	102	102⅜	−0¼	−0⅛	9.97
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS: [illegible]

FLOATING RATE NOTES: [illegible]

SWISS FRANC STRAIGHTS: [illegible]

CONVERTIBLE BONDS: [illegible]

[illegible]

Liffe launches medium gilt future

By Alexander Nicoll

A NEW futures contract based on medium-term UK government bonds was launched yesterday on the London International Financial Futures Exchange.

The introduction was timed to pre-date next Wednesday's £1bn experimental auction of medium-dated gilts by the Bank of England.

Liffe already trades a very active long-term gilt future and an inactive short gilt contract. It launched the new contract in response to demand from member firms, which saw a role for a hedging and trading instrument in the middle of the interest rate yield curve.

The new contract is based on a £50,000 nominal value of gilts with a 9 per cent coupon. Delivery may be in any gilt with seven to 10 years until maturity. Yesterday, the contract opened at 94⅝, reached a high of 94⅞ and a low of 93⅞, and closed at 94⅛.

Mr Jack Wigglesworth, a Liffe board member who headed the working party for the new contract, formally opened trading in it, and some 1,700 contracts worth £50,000 each were dealt in the first two hours. By the end of the day, volume had nearly doubled to 3,151 contracts, which compared with 18,560 long gilt futures traded.

Mr Michael Jenkins, Liffe chief executive, said there was growing Continental interest in Liffe and that Europeans were more accustomed to trading medium-term than long-dated bonds. The contract would also interest the Eurosterling bond and interest rate swaps markets, he predicted.

Liffe will probably de-list its short gilt future but is keeping it for the present because it hopes that building societies will soon be allowed to trade in Liffe contracts. The exchange wants to maintain the option for them to trade the short-dated contract.

Three French stockbrokers taken over

By George Graham in Paris

THE FRENCH stock exchange yesterday announced the acquisition of three more stockbroking firms by banks and financial institutions.

Credit Commercial de France, the ninth largest French bank, privatised last year, plans to take 100 per cent control of Wolff Goirand, one of the smallest broking firms in Paris with a turnover of FFr60m ($10.8m) last year, though with a branch also in Lyon.

After spinning off its fund management operations into a separate company, Wolff Goirand will team up with Laurence Prust, CCF's London broker.

Groupe des Assurances Nationale, the state-owned insurance company which hopes to be privatised, will take 100 per cent of the Paris broking firm of Eric de Lavandeyra.

Amro, one of the leading banks in the Netherlands, will take 52 per cent of Massonaud de Fontenay, a third Paris firm.

The acquisitions will be progressive. Under the stock exchange reform law passed at the end of last year, brokers may open up only 30 per cent of their capital straight away. The permitted percentage will rise to 100 on January 1 1990.

Italian mutual funds outflow

ITALIAN MUTUAL funds showed a net outflow of L650bn ($296m) in December 1987 after a record net outflow of L2,022bn in November, Reuter reports from Rome.

Assofondi, the mutual fund industry group, said new subscriptions in December totalled L435bn, down from L689bn in November, while redemptions were L1,085bn against L2,711bn.

December was the fifth consecutive month in which Italian mutual funds registered a net outflow.

Danish bank to open in Tokyo

DEN DANSKE Bank, Denmark's largest bank, is opening a branch in Tokyo, partly due to increased Japanese interest in investing in Denmark, Reuter reports from Copenhagen.

The fall in international share prices and in the dollar had created a need for new investment openings outside the US, the bank said in a statement.

S-E Banken takes a sober view of prospects, writes Sara Webb

Swedish bank euphoria evaporates

THIS YEAR, like 1987, promises to be a slightly leaner one for Swedish banks after the glut of 1986, though as yet no one is suggesting that the famine has set in after the years of feasting.

Skandinaviska Enskilda Banken, Sweden's largest bank, has said that it expects 1987 operating profits to be down by "not more than 8 per cent" on the 1986 record figure of SKr4.18bn ($702m).

Profits in 1988 may show a further decline if the turmoil in the financial markets continues, according to Mr Jacob Palmstierna, managing director, who has special responsibility for the group's international business and who is widely tipped to become chairman of S-E Banken when Mr Hans Cavalli-Bjoerkman retires next year.

During the 1980s, Sweden's domestic credit market has been deregulated with the lifting of price and volume controls on bank lending, while a flourishing money market and two options markets have developed.

The banks have reaped rich rewards from deregulation and liberalisation, and benefited in 1986 from falling interest rates, profits on bond sales, and the surging stock market – as a result, showing bumper profits for that year.

It has proved a hard act to follow, and the current doubts over currency (particularly the dollar), interest rate and stock market movements in 1988 have created uncertainties over profits for 1988.

Mr Palmstierna says that the recent market volatility makes it difficult to predict returns on trading activities, which in the past have accounted for about half of S-E Banken's profits.

"At a guess, 1988 will be a reasonable year, not as good as 1987, though if the markets continue downwards trading will be hit and if we have a recession – though we don't expect one – our credit losses will increase," he says. He expects the bank's costs to increase by 11 per cent in 1988, but says there will be no mass sackings – such as those on Wall Street – because of the crash.

"The crash has had a sobering effect here; we are discussing very scant increases in salaries and cuts in bonuses, but we will not in the short perspective cut staff.

"We are the market leader on the investment banking side and we will try to keep our team together even if it means considerably lower profits. If it gets tough and volume goes down considerably, then obviously profits will come down, but I don't think the market will continue to fall."

'At a guess, 1988 will be a reasonable year, not as good as 1987, though if the markets continue downwards trading will be hit and if we have a recession – though we don't expect one – our credit losses will increase.'

Costs for the development and installation of new technology have been brought under control. After rising by 20-30 per cent per annum, the rate of increase was reduced to 11 per cent in 1987 and is expected to drop to 8 per cent this year.

As a result of deregulation, which has led to far tougher competition, S-E Banken is trying to make its branches more profit-oriented, with monthly statements of profits and losses for each branch and the introduction this year of a profit-sharing system which is intended to reward the most profitable branches and staff working there.

Half the profits will be divided evenly among staff while the other half will take the form of bonuses for the top performers. The top performing brenches will have a higher proportion of the bonus – in the form of shares in S-E Banken – and managers will have the freedom to distribute the bonuses among staff as they think fit.

"This is a signal to staff that profit improvement pays and that profitability is what counts. All our people should be aware that share trades below a certain size, and certain services and accounts, are unprofitable.

"Deregulation means that today you have to sell much harder. It requires changes in the attitude of the whole organisation and that will take several years for people who have lived a sheltered life, regulated by the central bank," says Mr Palmstierna.

On the private customer side, about 80 per cent of S-E Banken's business is unprofitable because of the price structure. In future, the bank wants to increase the use of automation for the routine transactions, while exploiting the high net worth customer, who is profitable and who needs better credit facilities, tax and investment advice, as well as a more personal service.

Making money out of the large corporate customers has become more difficult as company finance directors have become more skillful at playing one bank off against another.

Though deregulation has been welcomed, there are still barriers which need to be removed, such as regulations concerning exchange control and the ownership of bank shares by foreigners.

"I expect the Government will change the banking law which will allow us to issue B shares abroad – I think this is a very important thing for us. It will make us better known and, as a lot of our balance sheet comes from our international business, it is only natural we should seek to broaden our capital base.

"Today, the banking law is nationalistic and protective, and the day when we can have substantial cross-ownership in foreign banks is far off," says Mr Palmstierna. However, with the creation of the European Community internal market for capital and goods, he believes that European banks will want to forge links with one another.

'The crash has had a sobering effect here; we are discussing very scant increases in salaries and cuts in bonuses, bnt we will not in the short perspective cut staff.'

If S-E Banken is to participate in that process, the most obvious step would be for it to form cross-ownership links with other Nordic banks.

One of the reforms for which the Swedish financial community is crying out loudly most is the removal of exchange controls. "If this step is taken, international interest in Swedish securities will increase greatly and with our role as a key player in the market, we would try to sell Swedish securities abroad to institutions," Mr Palmstierna declares.

"It will mean more competition for us, because when Skandia and Trygg-Hansa (the country's two largest insurance companies) are free to buy foreign shares, the international stock brokers will see them as very interesting clients. The Swedish market is ready for that competition now."

NZSE plans new rules

THE New Zealand Stock Exchange (NZSE) plans new rules including significant changes to the capital requirements laid down for brokers, **Reuter reports from Wellington.**

All broking firms would be required to maintain liquidity and equity levels at a fixed percentage of external liabilities, according to Mr Rex Pearson, NZSE president.

Substantial increases in penalties for disciplinary offences and for failure to complete share-broking transactions within an acceptable time are also proposed, he said. The proposals will be considered at the NZSE annual council meeting in February.

The proposed changes would provide for outside members to be appointed to the NZSE council and executive committee, and for the introduction of executive sub-committees. A review of the management structure will also be undertaken.

Mr Pearson said the changes had been planned for several months and were not a direct result of the recent failure of two broking firms.

EOE faces trade decline

THE EUROPEAN Options Exchange (EOE) could see as much as a 50 per cent fall in the number of contracts traded in 1988 compared with a record 43,000 contracts in 1987, **Reuter reports from Amsterdam.**

Mr Tjerk Westerterp, the chairman, said in his new year message that "in our most pessimistic scenario turnover drops by 50 per cent, and in our most optimistic scenario it rises by 10 per cent." He added that the negative outlook was based on expectations that the October crash had scared away many small investors.

The drop in 1988 turnover would be the first in the EOE's 10-year existence. Mr Westerterp said that in money terms, EOE turnover rose by 16 per cent to Fl 7.5bn in 1987.

In 1988 the EOE plans to introduce two new index options, on shares and bonds respectively, and expects to introduce share options on two new firms currently not listed on the EOE.

In February the EOE starts an international gold futures contract denominated in dollars per ounce – shedding an existing but unpopular gold contract in guilders per gram.

Group Precious Metal Mining Companies' Reports for the quarter ended 31 December 1987

All companies are incorporated in the Republic of South Africa

Driefontein Consolidated

Driefontein Consolidated Limited

(Registration No. 68/04880/06)

ISSUED CAPITAL: 204 000 000 shares of 50 cents each, fully paid.

	Quarter ended 31 Dec. 1987	Quarter ended 30 Sept. 1987	Six months ended 31 Dec. 1987
OPERATING RESULTS			
Gold - East Driefontein			
Ore milled (t)	705 000	705 000	1 410 000
Gold produced (kg)	9 517,5	8 812,5	18 330,0
Yield (g/t)	13,5	12,5	13,0
Price received (R/kg)	30 461	30 463	30 462
Revenue (R/t milled)	411,91	381,52	396,72
Cost (R/t milled)	107,53	108,11	107,82
Profit (R/t milled)	304,38	273,41	288,90
Revenue (R000)	290 396	268 972	559 368
Cost (R000)	75 810	76 215	152 025
Profit (R000)	214 586	192 757	407 343
Gold - West Driefontein			
Ore milled (t)	720 000	720 000	1 440 000
Gold produced (kg)	7 920,0	8 424,0	16 344,0
Yield (g/t)	11,0	11,7	11,4
Price received (R/kg)	30 424	30 001	30 206
Revenue (R/t milled)	335,05	351,69	343,37
Cost (R/t milled)	114,97	119,22	117,10
Profit (R/t milled)	220,08	232,47	226,27
Revenue (R000)	241 236	253 215	494 451
Cost (R000)	82 778	85 839	168 617
Profit (R000)	158 458	167 376	325 834
Uranium Oxide			
Pulp treated (t)	217 780	214 690	432 470
Oxide produced (kg)	16 366	19 152	35 518
Yield (kg/t)	0,075	0,089	0,082
FINANCIAL RESULTS (R000)			
Working profit: Gold	373 044	360 133	733 177
Profit on sale of Uranium Oxide and Sulphuric Acid	1 040	2 092	3 132
Tribute royalties	665	1 503	2 168
Net mining revenue	374 749	363 728	738 477
Net sundry revenue (group)	23 109	19 833	42 942
Profit before tax and State's share of profit	397 858	383 561	781 419
Tax and State's share of profit	243 365	236 052	479 417
Profit after tax and State's share of profit	154 493	147 509	302 002
Capital expenditure	41 705	31 741	73 446
Dividend	163 200	—	163 200

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1987 was R644,5 million.

DIVIDEND. A dividend (No. 29) of 80 cents per sub-divided share was declared on 8 December 1987, payable to members on or about 10 February 1988.

SHARE CAPITAL. With effect from 30 November 1987 each R1 ordinary share in the capital of the company was divided into two shares of 50 cents each in terms of a resolution passed at the Annual General Meeting held on 12 October 1987.

SHAFTS

EAST DRIEFONTEIN

No. 5 Sub-Vertical Shaft-E. The shaft was sunk 151 metres to a depth of 878 metres below the collar.

No. 1 Tertiary Shaft-E. The excavation of the rock winder chamber is nearing completion and the development of the rope race has commenced. Work is continuing on 34 Level station. Development on 36 Level toward the shaft position is in progress.

Production

Production was adversely affected by a fire which broke out on 14 October on 16 Level in the 38 panel. The site of the fire was sealed off and is being monitored. A claim for the loss of revenue has been lodged with the company's insurers.

Production was further affected by a non-casualty hoisting accident in the No. 1 Shaft-E on 18 October. Hoisting of reef in this shaft recommenced on 23 October.

WEST DRIEFONTEIN

No. 7 Shaft-W. The shaft was equipped to a depth of 1 600 metres below collar.

No. 8 Shaft-W. The evasé and ventilation ducting from the shaft to the fan housing have been completed and the fans are being installed.

No. 9 Sub-Vertical Shaft-W. Work continues on the development of the shaft layout on 22 Level. A holing was effected in the cross-cut on 22 Level connecting the shaft to No. 5 Shaft-E.

Production

Stoping operations in the No. 4 Shaft-W area were stopped on 14 October as a result of smoke emission from the East Driefontein fire. Seals were installed and production was restarted in most areas by 15 October.

An insurance claim in respect of revenue losses has been lodged with the company's insurers.

On behalf of the board

A. J. Wright
A. H. Munro } *Directors*

7 January 1988

Northam

Northam Platinum Limited

(Registration No. 77/03282/06)

ISSUED CAPITAL: 14 400 000 shares of 1 cent each, fully paid.

1. **INCOME AND EXPENDITURE.** The company had neither income nor expenditure for the six months ended 31 December 1987, as all income and expenditure has been capitalised as pre-production mine development expenditure.
2. **CAPITAL EXPENDITURE.** Capital expenditure for the quarter amounted to R32,1 million (September quarter R24,7 million) resulting in total expenditure for the year to date of R56,8 million. The unexpended balance of authorised capital expenditure at 31 December 1987 was R539,0 million.
3. **PROGRESS AT THE MINE**

No. 1 Shaft. The shaft was sunk 270 metres to a depth of 532 metres below collar.

No. 2 Shaft. The shaft was sunk 348 metres to a depth of 865 metres below collar.

On behalf of the board

A. J. Wright
A. Moolman } *Directors*

7 January 1988

Vlakfontein

Vlakfontein Gold Mining Company Limited

(Registration No. 05/06155/06)

ISSUED CAPITAL: 6 800 000 shares of 20 cents each, fully paid.

	Quarter ended 31 Dec. 1987	Quarter ended 30 Sept. 1987	Six months ended 31 Dec. 1987
OPERATING RESULTS			
Gold			
Ore milled:			
from underground sources (t)	14 806	9 981	24 787
from surface dumps (t)	115 310	143 136	258 446
from outside sources (t)	79 884	56 883	136 767
Total milled (t)	210 000	210 000	420 000
Gold produced (kg)	214,4	216,7	431,1
Yield (g/t)	1,0	1,0	1,0
Price received (R/kg)	30 626	30 209	30 416
Revenue (R/t milled)	31,31	31,25	31,28
Cost (R/t milled)	30,92	28,99	29,96
Profit (R/t milled)	0,39	2,26	1,32
Revenue (R000)	6 576	6 563	13 139
Cost (R000)	6 495	6 089	12 584
Profit (R000)	81	474	555
FINANCIAL RESULTS (R000)			
Working profit: Gold	81	474	555
Net sundry revenue	311	371	682
Profit before tax	392	845	1 237
Tax			
Formula tax	162	(166)	(4)
Non-mining tax	9	12	21
Profit after tax	221	999	1 220
Capital expenditure	2 644	2 568	5 212
Dividend	1 020	—	1 020

CAPITAL EXPENDITURE.

(a) The unexpended balance of authorised capital expenditure at 31 December 1987 was R2,6 million.

(b) The expenditure for the quarter ended 31 December 1987 relates mainly to Droogebult.

DIVIDEND. A dividend (No. 83) of 15 cents per share was declared on 8 December 1987, payable to members on or about 10 February 1988.

DROOGEBULT PROJECT. The conveyor has been installed and commissioned and construction work on 1 and 2 Level stations is nearing completion. Development of the decline to 3 Level will start shortly. Underground development and stoping is proceeding according to plan.

On behalf of the board

A. J. Wright
H. E. Lombard } *Directors*

7 January 1988

Venterspost

Venterspost Gold Mining Company Limited

(Registration No. 05/05652/06)

ISSUED CAPITAL: 20 200 000 shares of 25 cents each, fully paid.

	Quarter ended 31 Dec. 1987	Quarter ended 30 Sept. 1987	Six months ended 31 Dec. 1987
OPERATING RESULTS			
Gold			
Ore milled (t)	390 000	390 000	780 000
Gold produced (kg)	1 560,0	1 560,0	3 120,0
Yield (g/t)	4,0	4,0	4,0
Price received (R/kg)	30 282	30 200	30 241
Revenue (R/t milled)	121,38	121,08	121,23
Cost (R/t milled)	105,90	105,84	105,87
Profit (R/t milled)	15,48	15,24	15,36
Revenue (R000)	47 341	47 220	94 561
Cost (R000)	41 302	41 276	82 578
Profit (R000)	6 039	5 944	11 983
FINANCIAL RESULTS (R000)			
Working profit: Gold	6 039	5 944	11 983
Net sundry revenue	1 706	1 153	2 859
Profit before tax	7 745	7 097	14 842
Tax	2 125	1 716	3 841
Profit after tax	5 620	5 381	11 001
Capital expenditure	1 024	463	1 487
Dividend	6 060	—	6 060

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1987 was R16,6 million.

DIVIDEND. A dividend (No. 95) of 30 cents per sub-divided share was declared on 8 December 1987, payable to members on or about 10 February 1988.

SHARE CAPITAL. With effect from 23 November 1987 each R1 ordinary share in the capital of the company was divided into four shares of 25 cents each in terms of a resolution passed at the Annual General Meeting held on 12 October 1987.

PRODUCTION

A fire was detected on 17 November 1987 in a Main Reef stope on 27 Level. Production was affected for a limited period.

On behalf of the board

A. J. Wright
H. E. Lombard } *Directors*

7 January 1988

Libanon

Libanon Gold Mining Company Limited

(Registration No. 05/08381/06)

ISSUED CAPITAL: 40 000 000 shares of 20 cents each, fully paid.

	Quarter ended 31 Dec. 1987	Quarter ended 30 Sept. 1987	Six months ended 31 Dec. 1987
OPERATING RESULTS			
Gold			
Ore milled (t)	435 000	435 000	870 000
Gold produced (kg)	2 131,5	2 088,0	4 219,5
Yield (g/t)	4,9	4,8	4,9
Price received (R/kg)	30 557	30 306	30 433
Revenue (R/t milled)	149,92	145,69	147,81
Cost (R/t milled)	101,95	101,11	101,53
Profit (R/t milled)	47,97	44,58	46,28
Revenue (R000)	65 217	63 378	128 595
Cost (R000)	44 350	43 984	88 334
Profit (R000)	20 867	19 394	40 261
FINANCIAL RESULTS (R000)			
Working profit: Gold	20 867	19 394	40 261
Recovery under loss of profits insurance	—	635	635
Net sundry revenue	2 210	2 255	4 465
Profit before tax and State's share of profit	23 077	22 284	45 361
Tax and State's share of profit	4 185	5 206	9 391
Profit after tax and State's share of profit	18 892	17 078	35 970
Capital expenditure	10 463	9 000	19 463
Dividend	14 000	—	14 000

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1987 was R104,9 million.

DIVIDEND. A dividend (No. 74) of 35 cents per sub-divided share was declared on 8 December 1987, payable to members on or about 10 February 1988.

SHARE CAPITAL. With effect from 16 November 1987 each R1 ordinary share in the capital of the company was divided into five shares of 20 cents each in terms of a resolution passed at the Annual General Meeting held on 12 October 1987.

On behalf of the board

A. J. Wright
A. H. Munro } *Directors*

7 January 1988

Doornfontein

Doornfontein Gold Mining Company Limited

(Registration No. 05/24709/06)

ISSUED CAPITAL: 40 000 000 shares of 25 cents each, fully paid.

	Quarter ended 31 Dec. 1987	Quarter ended 30 Sept. 1987	Six months ended 31 Dec. 1987
OPERATING RESULTS			
Gold			
Ore milled (t)	366 000	366 000	732 000
Gold produced (kg)	1 939,8	1 915,4	3 855,2
Yield (g/t)	5,3	5,2	5,3
Price received (R/kg)	30 250	30 297	30 275
Revenue (R/t milled)	160,35	158,62	159,48
Cost (R/t milled)	140,65	142,44	141,54
Profit (R/t milled)	19,70	16,18	18,04
Revenue (R000)	58 760	58 128	116 888
Cost (R000)	51 551	52 134	103 685
Profit (R000)	7 209	5 994	13 203
FINANCIAL RESULTS (R000)			
Working profit: Gold	7 209	5 994	13 203
Net sundry revenue	1 836	1 788	3 624
Profit before tax and State's share of profit	9 045	7 782	16 827
Tax and State's share of profit	925	(1 113)	(188)
Profit after tax and State's share of profit	8 120	8 895	17 015
Capital expenditure	8 965	9 259	18 224
Dividend	8 000	—	8 000

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1987 was R132,2 million.

DIVIDEND. A dividend (No. 62) of 20 cents per sub-divided share was declared on 8 December 1987, payable to members on or about 10 February 1988.

SHARE CAPITAL. With effect from 9 November 1987 each R1 ordinary share in the capital of the company was divided into four shares of 25 cents each in terms of a resolution passed at the Annual General Meeting held on 12 October 1987.

No. 5 SUB-VERTICAL SHAFT. Equipping of the shaft has been completed. The final work, to commission the shaft, is in progress.

On behalf of the board

A. J. Wright
A. Moolman } *Directors*

7 January 1988

Kloof

Kloof Gold Mining Company Limited

(Registration No. 64/04462/06)

ISSUED CAPITAL: 121 100 000 shares of 25 cents each, fully paid.

	Quarter ended 31 Dec. 1987	Quarter ended 30 Sept. 1987	Six months ended 31 Dec. 1987
OPERATING RESULTS			
Gold			
Ore milled (t)	540 000	540 000	1 080 000
Gold produced (kg)	7 470,0	7 560,0	15 030,0
Yield (g/t)	13,8	14,0	13,9
Price received (R/kg)	30 475	30 043	30 257
Revenue (R/t milled)	422,29	421,45	421,81
Cost (R/t milled)	131,08	137,07	134,08
Profit (R/t milled)	291,21	284,36	287,73
Revenue (R000)	227 982	227 571	455 553
Cost (R000)	70 782	74 019	144 801
Profit (R000)	157 200	153 552	310 752
FINANCIAL RESULTS (R000)			
Working profit: Gold	157 200	153 552	310 752
Recovery under loss of profits insurance	—	252	252
Net sundry revenue	6 947	7 611	14 558
Profit before tax and State's share of profit	164 147	161 415	325 562
Tax and State's share of profit	50 936	56 751	107 687
Profit after tax and State's share of profit	113 211	104 664	217 875
Capital expenditure	77 852	62 792	140 644
Dividend	72 660	—	72 660
Issue of debentures	—	8 175	8 175

CAPITAL EXPENDITURE.

(a) The unexpended balance of authorised capital expenditure at 31 December 1987 was R669,0 million.

(b) Included in the total of capital expenditure for the quarter ended 31 December 1987 is an amount of R47,5 million in respect of Leeudoorn.

DIVIDEND. A dividend (No. 36) of 60 cents per share was declared on 8 December 1987, payable to members on or about 10 February 1988.

DEBENTURES. A further call of R3 per debenture was made on the holders of the partly paid Discounted Convertible Debentures and was due on 1 January 1988.

SHAFTS

Kloof

No. 4 Shaft-K. Equipping of the shaft and the arrangements at the shaft bottom have been completed. The shaft has been commissioned.

No. 4 Sub-Vertical Shaft-K. Sinking of the headgear portion of the shaft was advanced to 32 metres below 21 Level. Work in the hoist chambers is continuing.

Leeudoorn

No. 1 Shaft-L. The shaft was sunk 251 metres to a depth of 1 523 metres below collar. Sinking was considerably delayed by the shaft intersecting a water bearing zone.

No. 1 Ventilation Shaft-L. The mid-shaft loading facilities have been completed and development of the airway on 20 Level is in progress.

No. 1 Sub-Vertical Shaft-L. The headgear portion was advanced 3 metres to a total of 21 metres below the bottom of No. 1 Ventilation Shaft-L. The headgear dome and the rope holes on 21 Level are being excavated and supported.

On behalf of the board

A. J. Wright
A. H. Munro } *Directors*

7 January 1988

Deelkraal

Deelkraal Gold Mining Company Limited

(Registration No. 74/00160/06)

ISSUED CAPITAL: 99 540 000 shares of 20 cents each, fully paid.

	Quarter ended 31 Dec. 1987	Quarter ended 30 Sept. 1987	Six months ended 31 Dec. 1987
OPERATING RESULTS			
Gold			
Ore milled (t)	385 000	375 000	760 000
Gold produced (kg)	2 234,5	2 062,5	4 297,0
Yield (g/t)	5,8	5,5	5,7
Price received (R/kg)	30 379	30 059	30 221
Revenue (R/t milled)	176,53	165,70	171,19
Cost (R/t milled)	86,57	87,88	87,22
Profit (R/t milled)	89,96	77,82	83,97
Revenue (R000)	67 966	62 138	130 104
Cost (R000)	33 331	32 956	66 287
Profit (R000)	34 635	29 182	63 817
FINANCIAL RESULTS (R000)			
Working profit: Gold	34 635	29 182	63 817
Net sundry revenue	2 739	2 505	5 244
Profit before tax	37 374	31 687	69 061
Non-mining tax	1 238	1 226	2 464
Profit after tax	36 136	30 461	66 597
Capital expenditure	12 448	9 269	21 717
Dividend	24 885	—	24 885

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1987 was R253,4 million.

DIVIDEND. A dividend (No. 10) of 25 cents per share was declared on 8 December 1987, payable to members on or about 10 February 1988.

No. 3 SHAFT. The location for a new surface shaft has been established and the pre-sink of 15 metres has been completed. The foundations for the headgear have been completed and work has begun on the man and stage winder foundations.

On behalf of the board

A. J. Wright
B. R. van Rooyen } *Directors*

7 January 1988

GOLD FIELDS OF SOUTH AFRICA LIMITED

Note: Copies may be obtained from the United Kingdom Registrar: Hill Samuel Registrars Limited, 6 Greencoat Place, London, SW1P 1PL.

UK COMPANY NEWS

NEI makes agreed £14m bid for Victor Products

BY NIKKI TAIT

Northern Engineering Industries, the Newcastle-based manufacturer of power generating equipment, yesterday unveiled its widely-anticipated agreed bid for **Victor Products**, a neighbouring mining equipment company.

NEI is offering 16 new shares for every 9 Victor which – with NEI shares down 1p at 102p yesterday afternoon – values each Victor share at 181p and the group at £13.8m. In addition, there is also an underwritten cash alternative of 160p, only the third foray into bid-related underwriting since Black Monday.

The offer is backed by the mining equipment group's board. Directors have given irrevocable undertakings to accept in respect of their own holding (3.9 per cent of the equity), as has the Victor Products Pension Scheme which holds 25.9 per cent, and Derbyshire County Council, with 10 per cent. NEI itself has already built up a 17.9 per cent stake, giving it control of almost 58 per cent of its target's shares.

NEI said that it already buys certain Victor mining products, and that these would now extend its existing range. Victor's lighting products were also complementary to NEI's existing lighting and lighting-related interests.

In the year to end-April, Victor reported a drop in pre-tax profits from £1.4m to £734,000 – a year hampered by low oil prices, little North Sea development activity and internal reorganisation. Earnings per share were 8.2p (12.8p).

The offer price compares with Victor's high of 200p during the summer, although the shares then dropped back to below 120p in the wake of Black Monday. According to Mr Roy Mann, Victor's executive chairman who now plans to retire from the company, NEI's interest dates back to the late sixties. The bidder has held a non-disclosable stake in its target for some years, but the current discussions have their origins in the sale of a 6 per cent stake in Victor by Babcock International last July, which was picked up by NEI. Last month, Victor announced that it was in negotiations with an unnamed suitor.

The holding by Victor's pension fund has always been a significant stumbling block for any hostile predator. In general, pension funds are now usually deterred from investing too heavily in their own company's shares; the Victor holding, however, dates back to around 1950. Yesterday, Mr Mann, a trustee of the fund, said that no decision had been made over whether the fund would accept any shares in NEI.

The underwriting for the bid posed no problem, according to Robert Fleming, which took over from N.M.Rothschild as NEI's advisers for undisclosed reasons last year. Fleming pointed out that the issue (5 per cent of NEI's enlarged equity) was not sizeable and that at 90p, the underwritten price, NEI shares yielded a generous 6 per cent. Panmure Gordon were brokers to the issue.

Victor shares gained 6p to 175p.

Debenham Tewson rises 56%

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Debenham Tewson and Chinnocks Holdings, the largest of the commercial property surveyors to take a market quotation, yesterday announced a 56 per cent increase in its interim profits and a 48 per cent increase in earnings.

The company's first dividend since listing last July is 1.5p a share.

The figures prompted an immediate rise in the share price which latterly has been beneath the July offer price of 170p.

In the six months to October, pre-tax earnings were £2.14m, against £1.37m in the same period of 1986 and £2.9m for the full year to April 1987. Earnings per 5p share were 5.11p.

The higher profits sprang from turnover which increased to £9.8m from £7.6m in the 1986-86 first half. The increase was spread across the three main lines of Debenham Tewson activity: agency and financial services, consultancy work and property management.

There have been no signs of slackening activity since the start of the second half. Although there has been some sign of hesitancy over future plans in the City of London, no deals have been called off and the general property market has been strong throughout the country.

Debenham Tewson's higher profits are only partially explained by the state of the market. Since listing, the company has itself expanded while at the same keeping up its margins. Further organic growth and expansion through acquisition are likely in the future.

So far during the second half, performance suggests a rise in profits for the whole year, although Mr Richard Lay, the chairman contented himself yesterday with the remark: "I am confident that we will be able to increase our turnover in the second half."

COMPANY NEWS IN BRIEF

RADIUS, USM-quoted computer systems and maintenance group, has increased its previously undisclosed holding in **Logitek**, distributor of computers and peripherals, to 610,000 shares, or 5.4 per cent. Mr Edward Sharp, chairman, said Logitek "was a tremendous company. We cannot rule out buying more shares."

ERSKINE HOUSE has bought Colorado Copier Systems for $4m (£2.13m) maximum in cash depending on pre-tax profits to March 31 1990 reaching $1.24m. Initial payment was $2.96m. For the year to August 31 1987 the Louisville-based company made $470,000 and had net assets at that date of $893,000.

KUNICK's subsidiary, Goldsborough, has acquired two residential care homes in York and Leeds for £700,000 and £686,000 respectively. Kunick is joining the USM, via an introduction, later this month.

TASK FORCE Group has acquired the permanent and temporary secretarial and administrative division of CRG (Commercial) for £300,000 cash. This extends the group's activities in this area to the City of London.

MINET HOLDINGS' subsidiary Minet Insurance Brokers (UK) has bought three retail insurance brokers based in north London, Needlerheath (UK), Needlerheath Dixon and C.A.Rolinson and Partners. The consideration is about £1m.

MAXWELL COMMUNICATIONS Corporation has bought Oceonics Communications from Oceonics Group for £450,000 cash.

OWL CREEK Investments offshoot Melinga Resources is buying interests in nine producing oil properties in Oklahoma for a total $675,000 cash (£365,000).

SUNLEIGH ELECTRONICS has bought the main trading assets of MEP-Wilco for an undisclosed sum from the receiver. MEP turnover for the last trading year was £550,000.

LAPORTE INDUSTRIES (Holdings), through its Redhill-based Laporte Earths business, has acquired the Woodside cat litter business from Armitage Brothers and its subsidiary Armitage Pet Products for £500,000 cash.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Abbey ....int	2.2†	-	1.67*	-	4.3*
Abbey Panels ....fin	1.2	-	1.2	2.4	2.4
Ass Newspapers ....fin	5.25	-	4.5	7.25	6
Debenham Tews. ....int	1.5	Feb 18	-	-	-
Jurys Hotel ....int	1.5‡	-	1.5	-	3.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. Unquoted stock. Third market. ‡Irish currency.

Abbey interim profits up 56%

Abbey, the Irish-registered industrial holding company, has lifted turnover by 37 per cent and pre-tax profit by 56 per cent in the half year ended October 31 1987. The interim dividend is up from 1.67p to 2.2p.

The group operatos mainly in southern England. Abbey Homesteads (Developments), the housebuilding company, enjoyed an excellent period, while M&J Engineers (plant hire) and Term Rentals (portable accomodation) again broke all records.

Group turnover came to I£41.56m (£37m) against I£30.3m, trading profit was £7.84m (£4.98m) and the pre-tax balance £6m (£3.84m).

Earnings were 11.1p (6.7p). In October the company raised £11.62m through a placing, the money being earmarked for acquisitions and expansion of land buying activities.

Abbey Homesteads was well on target for increased profits for the full year, the directors said. It had acquired a number of important sites and, providing market conditions stayed reasonably stable, the scene had been set for further expansion in 1988-89.

M&J and Term were well placed to achieve their budgets, dependent on climatic conditions during the winter. Management was looking for further locations, and a nnmber of opportunities were being examined.

A year ago Abbey announced a further cut in its Irish connections by winding up P.J. Matthews, its builders' providers subsidiary. An extraordinary provision of I£1.5m was made in the previous half time accounts.

● comment

It may be registered in Ireland, but Abbey's business is concentrated on the English side of the water - building houses in the South East and renting plant to the construction sector. As a result, it has benefited, like many others, from the housing boom. In the first half, it built more houses - 425 against 325 - and at a higher average price - £74,000 against £62,000 - than the same period last year. Of course, the good news has been known for some time and the market is now more worried about the effect of any fall-out in the residential market. However, Abbey has little exposure to the top end of the housing market, generally perceived as the most vulnerable, and its new developments are in places like Cbatteris and Southampton, somo way from Mayfair. Aaauming I£14m pre-tax for the full year, the ahares, at 175p, are on an undemanding prospective p/e of 8.5.

Abbey Panels slips to £1.2m

Pre-tax profits at **Abbey Panels Investments**, Coventry-based engineer snd fabricator, fell from £1.32m to £1.17m in the year to September 30 1987. The final dividend is unchanged at 1.2p net for a total of 2.4p.

Turnover rose from £12.03m to £13.06m, and operating profit was *slightly lower* at £1.02m compared with £1.15m. Investmant income was £186,000 against £198,000. The pre-tax figure was after interest charges higher at £45,000 (£34,000). There was a tax charge of £602,000 (£666,000).

Stated earnings were down from 32.56p to 28.19p.

CONTRACTS

Airconditioning BR express

TEMPERATURE, a member of the Norcros Group, has been awarded a £2m contract from British Rail Engineering to design, develop and supply 204 heating, ventilating and air conditioning systems, which incorporate microprocessor control, for the Sprinter Express, British Rail's new inter-city train. Temperature is based in Sandown, Isle of Wight.

★

Epping Forest District Council has signed a £225,000 contract with **HONEYWELL BULL** for the the DPS 6/951 computer system. The order is associated with a five-year strategy being implemented by the Epping council involving the transfer of financial systems from the County Council computer to Epping's own machine; the development of computer systems to provide information centres in Loughton, Epping and Waltham Abbey; the installation of a local area network to allow easy inter-connection of terminals to the new computer and to two other DPS 6 machines already installed; and, later, implementation of office automation, digital mapping and advanced programming languages.

★

The Yorkshire Regional Health Authority (YRHA) in Wakefield and the West Midlands Health Authority (WMHA) in Birmingham have placed contracts worth over £250,000 with **SANDERSON COMPUTERS**, UK distributor for C.Itoh minis.

The YRHA contract is for the regional supplies centre and involves two Sanderson 550 superminis with 25 MHz CPUs operating the NHS stores information system. The YRHA system is operated on an extensive multi-user basis. Each machine has 8Mb memory, 672Mb disk with 4Mb external disk cache and 80 intelligent ports.

The WMHA installation will operate an internal management system for the 75 divisions in the region. The system controls the sales of services to these divisions and produces comparisons of real costs with budgets. A Sanderson 150 mini is involved in this contract for which it marks the first entry of a standard PICK operating system into the Authority's internal management and control operation.

★

NEI PEEBLES, part of Northern Engineering Industries, has won an export order worth £2m from Australia for the supply of two large transformers which will form the strategic link between the States of Victoria and South Australia. Work will start at Pilton soon and delivery is expected early in 1989. The order, placed by the State Electricity Commission of Victoria, comprises two transformers rated at 370 MVA 500/275/22KV.

★

FAIRCLOUGH BUILDING's long association with Manchester Airport has been extended by a £417,000 contract as part of a £700,000 schems of further refurbishment work in the concourse. The Swinton-based western division is to strip out finishes and install new floor, wall, and ceiling finishes, together with glazing and services for three naw shop units in the marketplace area. The contract also includes completion of the partly finished floor and ceiling refurbishment at the southern end of the main concourse. The work will be carried out with the concourse in full public use. The project is due for completion by April.

AITKENS PULL OUT AS NEW REGIME MOVES IN

Jivrajs take 29.6% of Leisuretime

BY CLAY HARRIS

THE JIVRAJ family is in at **Leisuretime International**, and the Aitkens are out. The Jivrajs are to take an initial 29.6 per cent stake in the hotel and travel group, which they intend to develop into e vehicle for their worldwide leisure interests.

Mr Tim Aitken, a grandson of Lord Beaverbrook and chairman of TV-am, meanwhile, is to resign after four years as chairman of Leisuretime and nearly seven on its board. Three other directors, including Mr Aitken's *mother*, are also to quit.

Leisuretime agreed yesterday to pay £4m in shares for 10 residential care and nursing homes in Yorkshira end Humberside owned by the Jivrajs, who sold London Park Hotels to Mount Charlotte Investments last year for £39m.

The deal, reached in the early hours of yesterday morning, enabled Leisuretime finally to win its shareholders' approval for the sale of Worldwida Dryers, its hand-dryer rental subsidiary, to BET for £11m in cash.

The disposal had been defeated on a ahow of hands at an extraordinary general meeting on December 22, but received the support of 91.8 per cent of shareholders taking part in s poll yesterday.

Tim Aitken – quitting after seven years.

Among those which changed sides was **Braithwaite Group**, the engineering company which owns 14.2 per cent of Leisuretime shares and had once entertained hopes of buying either the entire group or the dryers subsidiary.

Mr Andrew Fitton, Braithwaite chairman, said he was pleased with the outcome. "Once we found we could not buy Worldwide Dryers, we were in a damage-limitation situation," he said.

Braithwaite's stake will be reduced to 8 per cent by the acquisition of Country Care Homes from the Jivrajs. It does not plan to retain the shares as a long-term holding.

The Country Care deal, which must be approved by Leisuretime shareholders, is expected to be followed later this year by Leisuretime's purchase of two hotels in Portugal and seven in Florida and Michigan from the Jivraj family, whose long-term goal is to seek firm control of the group.

Country Care reported a loss of £15,000 in its first eight months of trading in 1986, but expects to show a profit for last year. Its net assets are likely to be close to the agreed purchase price.

The nursing homes are being sold by Naaz Holdings, a Jersey-based family trust. Through Rushlake Holdings, the Jivrajs also hold 14 per cent of Wigfalls, domestic electrical applience manufacturer, and 29.9 per cent of Highgate & Job, animal oils group.

With the imminent departure of the Aitkens from the Leisuretime board, the future of the 10 per cent stake held by the family's Beaverbrook Investments is unclear. Beaverbrook supported last month's revolt, but voted in favour of the disposal yesterday.

Mr Aitken himself is on an extended sailing holiday in the Caribbean, and did not attend either yesterday's meeting or the one on December 22.

Mr Nurdin Jivraj and Mr Naushad Jivraj will join the board, and the family plans to nominate a chairman and another director. Mr Paul Devine will remain as chief executive, and Mr Adrian Aylward will continue on the board.

Mr Fitton will become a non-executive director of Leisuretime, although it is envisaged that he will resign after the Jivraj deals go through. Mr Murray Gordon, Era Group chairman and former chairman of Combined English Stores, will also join the Leisuretime board as a Braithwaite nominee.

Shares are to be issued to the Jivrajs et 74p, compared with the 86p at which they were suspended on Wednesdsy. The transaction was handled by County Natwest.

Emess selling BKB for £3m

BY CLAY HARRIS

Emess, the *lighting* and electrical accessories group, is to sell its BKB Electric Motors division for £3m cash to Schabmueller Holdings, a West German competitor of the Birmingham-based business.

BKB makes low-voltage direct-current motors for use in meterials handling equipment such as forklift trucks. The ecquisition will give Schabmueller its first UK manufacturing facility.

Emess bought BKB last January as part of Tenby Industries, the former BSR International subsidiary. Four months after that £42m acquisition, Emess sold Fraser & Glass, a maker of moulded plastic components for the motor industry, for £17m to Trinova of the US.

Although Emess has returned BKB to profit from a £50,000 loss on sales of £4m in 1986, it viewed the subsidiary's business as peripheral to the group's main activities. The same epplies, in principle, to another former Tenby unit, Bullpitt, e specialist manufacturer of high-precision parts also based in the West Midlands.

Emess'a main interest in Tenby was its electrical accessories division, which supplies plugs, switches and sockets.

Investment Co. up sharply at halfway

The Investment Company increased taxable revenue from £469,058 to £863,562 in the six months to end-September. The figures were arrived at after allowing profits on changes of investments amounting to £386,216 (£42,548).

Earnings per 25p share rose to 2.4p (2.15p) after tax of £260,972 (£139,892), with the interim dividend maintained at 0.45p. Transfer to capital reserve profits resulting from changes of investments is up from £29,783 to £270,526.

Jurys Hotel optimistic after midterm increase

AN IMPROVEMENT in the year's profit is forecast by **Jurya Hotel Group**, with help from the Dublin City millennium.

The group, which operates hotels in Dublin, Cork and Limerick, lifted its pre-tax profit for the half year ended October 31 1987 from I£1.22m to I£1.55m, on turnover £1m higher at £9.24m.

Looking to the second half, the directors said the home market business was showing little growth over last year, but they were hoping the millennium would provide an added spur to increased trading.

Strong emphasis was being placed on marketing and product quality, and they were looking for a better profit than the £1.61m of 1986-87.

The six months' esrnings worked through at 6.57p (4.97p) and the interim dividend is again 1.5p. The profit was hit by net interest charges of £88,000.

Cannon St. acquisition

Cannon Street Investments has bought, through its subsidiary PST Holdings, the Rotterdam-based Dunnet International Trading Company.

The price, based on Dunnet's profits for the year ended December 31 1987, is calculeted on a p/e ratio of three. PST expects to pay about £1.3m, based on estimated pre-tax profits of £743,000. Some £901,000 has been paid, the balance is due when the results have been audited.

Additional consideretion is payable in instalments based on Dunnet's after-tax profits over the three years ending December 31 1990, up to a maximum total payment of £7m.

Cannon Street also announced that PST has sold its subsidiary, PST Distribution, to its management for £1.3m.

Bennett & Fountain

Bennett & Foantain, the acquisitive electrical wholesaler and retailer, is seeking to move from the USM to a full listing. It came to the USM in January 1985 at 10p.

Associated News below expectations at £57m

BY DAVID WALLER

Associated Newspapers Holdings, publisher of the Daily Mail, the Mail on Sunday, the Evening Standard and a string of provincial papers, yesterday announced a 24 per cent increase in pre-tax profits for the year to end-September. At £56.9m, against £46m last time, the result fell at the bottom end of City expectations.

Nevertheless, the company's shares shrugged off analysts' initial disappointment and gained 2p to close at 474p.

Redundancy and development costs amounted to £36.8m (£15.9m), incurred in anticipation of the imminent relocation of the principal titles from Fleet Street to Docklands and the West End.

Taken below the line, these costs were broadly offset by income from the sale of the group's interests in The Herald and Weekly Times in Australia and the Esquire Magazine group in the US. Proceeds amounted to £36.7m, leaving a net exceptional charge of £2.1m (£0.1m).

Earnings per share rose from 25.3p to 29.8p and the final dividend was 5.25p, making 7.25p (6p) for the year. The company also said that it would seek shareholder approval to buy its own shares.

Behind the £9.9m rise in total operating profits to £63m (£43.1m) was a strong performance from the core newspaper activities, held back by a halving in the contribution from oil and gas interests.

Profits from newspapers and magazines increased by nearly a half to £46.5m (£31.6m) on turnover up from £432m to £492m. ANH said that trading conditions had been bolstered by buoyant advertising revenues and circulation increases in its national and regional newspapers.

A key factor here was the Evening Standard's triumph over Mr Robert Maxwell's London Daily News, which closed after an abortive attempt to dislodge the Standard's monopoly of the capital's evening newspaper market.

Euromoney Publications did well, despite the decline of the dollar against sterling.

North Sea oil and gas made £4.6m (£9.4m) on turnover of £28.6m (£34.8m). The shortfall was attributed to increased expenditure on exploration and appraisal taken above the line.

Other activites contributed £1.9m (£2.1m) on turnover of £60.4m (£53m). Total group turnover was £581m (£519.9m).

The group's share of related company profits was unchanged at £2.5m while income from other fixed asset investments rose from £4.7m to £6.6m.

Following the death last month of Mr RM Shields, formerly group deputy chairman and managing director, Mr Charles Sinclair has been appointed managing director.

See Lex

S&N launches cash offer for final 10% of Matthew Brown

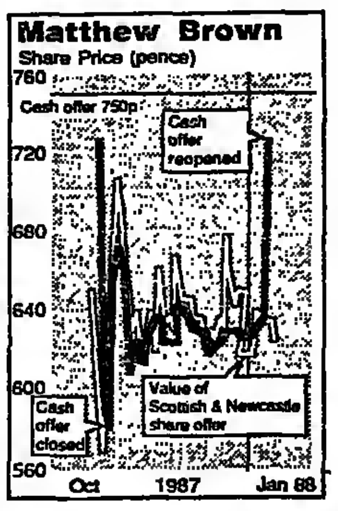
BY CLAY HARRIS

Scottish & Newcastle Breweries yesterday reopened the cash alternative for its successful £186m takeover bid for **Matthew Brown**, Blackburn-based brewer. It was last available on October 26, when the bid was declared unconditional.

The re-introduction means that remaining Matthew Brown shareholders, holding nearly 10 per cent of the total, will be able to receive 750p in cash for each share rather than three S&N shares, worth a total of 621p at yesterday's closing price.

S&N was required to reintroduce the cash offer under a little known provision in section 430A of the 1985 Companies Act, as redefined by the 1986 Financial Services Act. This obliges bidding companies to reopen all portions of a takeover offer once it receives acceptances for 90 per cent of shares.

Other recent bids in which the provision has come into play include Avis Europe for C.D. Brammall and International Business Communications (Holdings) for Barham.



The Matthew Brown bid has taken longer than usual to reach this stage, as a number of private shareholders with considerable holdings have held out to try to ensure that they were in the qualifying 10 per cent. Although the Matthew Brown board belatedly recommended the S&N bid, it called the 430A provision to its shareholders' attention.

Acceptances were stuck at about 83 per cent for several weeks, Morgan Grenfell, S&N's financial adviser, said yesterday.

The provision allows a one-way bet for existing shareholders who have missed out on their initial chance at a cash offer worth more than the share terms.

If the shares rise above the cash price, they have lost nothing by delaying their acceptances. If the shares do not, patience can be rewarded with the re-introduction of cash.

It is open, however, for a bidder holding less than 90 per cent to force the issue by deciding to close the offer. This would be likely to shake loose the reluctant shares, but has the slight risk that the bidder could end up with less than the minimum 90 per cent needed to begin compulsory purchase.

Matthew Brown's share price jumped 92p to 725p yesterday, but the price, reflecting a 50p spread, was only indicative. Most market makers said they had not traded the shares at all yesterday, and had seen very little business since the bid was declared unconditional.

This lack of volume means that the benefits to existing shareholders do not translate into a wider opportunity for arbitrage against the bidder's share price.

Cookson stake sold by Imetal

BY MICHAEL SMITH

Imetal, the French mining and metals group, yesterday ended its 14-year investment in **Cookson**, the UK metals and chemicals company, by selling its 9 per cent stake to institutional investors.

Cookson shares shrugged off the sale, falling 4p to 529p. Imetal's block of about 16.1m shares were sold at 520p. The French company first bought into Cookson in 1974.

Mr Michael Henderson, Cookson chief executive, said yesterday the two companies had always had a good relationship.

Two Imetal directors will remain on the Cookson board.

Vickers to pull out of office furniture

By Philip Coggan

Vickers, the diversified industrial group, is putting its office furniture division up for sale. Sluggish profits growth in the division, which is known as Comforto Vickers, had caused speculation that the business would soon be sold.

Analysts forecast yesterday that Vickers would do well to obtain a bid higher than the division's net asset value of £49m. In 1986, Comforto Vickers achieved profits after interest of £6.4m (£6.2m) on sales of £106.2m (£84.7m), but analysts expect those profits to have dropped in 1987.

Vickers has undergone complete rationalisation in the 1980s since the merger with Rolls-Royce Motors. The office equipment division has been part of the group since 1966 when Vickers began to distribute the well-known Roneo brand of duplicators. The division gradually expanded into furniture and in 1985, Vickers acquired Comforto, a West German manufacturer of office seats.

But the division's returns on assets and on turnover have lagged behind the group average. "The next step up would require more investment," explained Sir David Plastow, the chief executive "and we have other priorities." The division's French business has suffered problems, and it has also been hit by the effect of the weaker dollar on exports to the US.

After the sale, Vickers will be reduced to five core divisions – Rolls-Royce Motors, lithographic printing, defence and aerospace, marine engineering, and medical equipment.

"We have no plans to re-acquire a sixth leg," said Sir David, "there are plenty of opportunities for expansion in the existing businesses."

Sir David said Vickers had received more than one approach for the division in recent months. Analysts were speculating yesterday that an overseas company was likely to be the eventual buyer.

The deadline for bids is likely to be mid-March and Vickers has appointed Lazard Brothers, the merchant bank, to handle the disposal. Sir David was not prepared yesterday to indicate his target price range for the sale, although he did say that he would not accept an offer which diluted earnings per share.

Clay Harris on Cope Allman's change of ownership

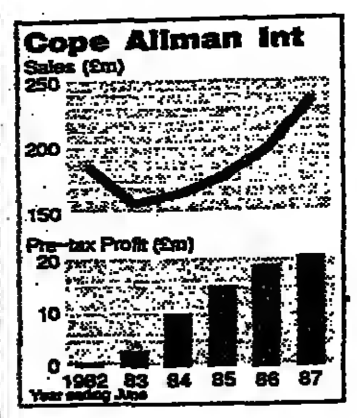
New player has sights on jackpot

FOR NEARLY five years Hawley Group has kept the reels spinning at Cope Allman International.

Like a practiced player of the amusement machines which comprise a large part of Cope Allman's business, Hawley has nudged the pay-off lines with skilful precision and taken some winnings out while "reinvesting" a proportion. And just like an all-too-familiar type in the saloon bar, Hawley has been unable to tear itself away from the machine to let anyone else have a go.

This week, Hawley announced that Cope Allman was to change hands, moving for £210m (not including between £45m and £50m in debt it is taking with it) from Hawley's listed Canadian associate, Henlys, to a new company in which Hawley will have a 49 per cent stake.

Richard Grogan (left) and David Hoare: packaging a key area



The latest move, however, is likely to shunt Cope Allman into a slightly more distant orbit around Hawley. Although the Bermuda-based international services group's effective holding in Cope Allman has barely changed, its new associate, controlled by Mr Richard Grogan and Mr David Hoare, former partners of US-based management consultants Bain and Company, is not one to be pushed around.

Moreover, Cope Allman's present and future owners concede that most of the credit for the company's turnround since the recession of the early 1980s must go to its managers, led by Mr Mike Doherty, whose tenure as managing director predates the appearance on the scene of Mr Michael Ashcroft, Hawley's chairman and motivating force.

The latest purchase price contrasts sharply, for example, with an unsuccessful £23m takeover bid mounted in 1983 for a company that was then losing money.

The turnround has been achieved through rigorous cost control. The composition of Cope Allman has barely changed from the listed UK company which was bought out by Hawley (and passed on to Henlys) in 1986. Only its fashion business and a few engineering activities have been sold.

The Bell Fruit amusement machines business, which accounts for about 40 per cent of turnover, is not the largest division. That distinction goes to specialist packaging, where its products include tamper-proof and tamper-evident tops for drug containers, aerosol valves and pumps and containers for cosmetics, including lipsticks.

Cope Allman also has two small but profitable specialist engineering businesses: JBS Lees, which makes steel strip for the manufacture of saws, and Long & Grawford, which makes switchgear.

Under Talisman Management International, the Bermuda-registered vehicle owned by Mr Grogan's and Mr Hoare's families, packaging will be the key growth area. Cope Allman will try to cash in on cosmetic manufacturers' increasing international co-ordination of sourcing.

Mr Doherty and his colleagues mounted an unsuccessful management buy-out, backed by Citicorp, during Shearson Lehman's auction of Cope Allman on behalf of Henlys. Like Talisman's winning bid, backed by Bankers Trust, the management buy-out had offered Hawley a continuing a stake in the company.

The managers were up, however, against a juggernaut of Bain-honed technique. Talisman spent several months and committed several hundred thousands of pounds to studying every last detail of the Cope Allman business. A visit was paid to almost every production facility.

"We have a financial model with 83,000 calculations in it," Mr Grogan said. "We had to expand our computer capacity three times to handle it. I tell you, it was thorough."

Talisman acknowledges the uncomfortable position in which the managers find themselves. In a rare departure from the usual high-powered Bain approach, Mr Grogan said: "The first thing we are going to do is sit down with this talented management team...and listen."

The winners are likely to sweeten the pill for the losing bidders by making equity available to them.

The deal, meanwhile, marked a tentative public re-emergence onto the corporate public scene of Mr Olivier Roux, former Bain partner and, with more notoriety, former finance director of Guinness. Mr Roux acted as a consultant for Talisman in the transaction, but will not have any management or financial role at Cope Allman.

Things would have been different if it had not been for the Guinness affair. Mr Roux originally was to have been a partner in Talisman with his former Bain colleagues, both of whom worked at one time or another on the Guinness account.

"We thought he had something to contribute and, quite frankly, as friends and former partners, we support him," Mr Grogan said. Depending on the outcome of all Guinness investigations, Mr Roux eventually may take a more permanent role at Talisman.

"He has tremendous experience in the whole area of financial systems and control," Mr Grogan said. "Heavens, he built a control system and finance function at Guinness that was critical in its recovery and its continuing success."

Whether Mr Roux is officially on board by then or not, Talisman is aiming to refloat Cope Allman within two to five years. By then, all the players at the machine hope that the reels will come to rest on a jackpot.

Citicorp share dealings breach Takeover Code

BY NIKKI TAIT

ENQUIRIES BY the Takeover Panel, the City's watchdog on bids and deals, have elicited that **Citicorp Investment Management**, part of the US-based banking group, has been purchasing shares in **Barker & Dobson** on behalf of discretionary clients since the sweets and supermarket group launched its £2bn bid for food retailer, Dee Corporation.

Citicorp is lead manager for a seven-strong banking syndicate providing a £1.6bn loan facility to Barker & Dobson, in connection with the bid. Yesterday, however, Citicorp stressed that a strict Chinese Wall exists between the lending and investment management arms.

A statement from Citicorp said that it had apologised to the Panel for the delay in disclosing the dealings - which has left it in breach of rule 8 of the Takeover Code. No further action, or indeed any statement, is expected from the Panel itself.

Citicorp Investment Management apparently first purchased 2.5m shares (2.15 per cent) in B&D in January 1987, added a further 1.63m (1.4 per cent) in the first half of the year; another 250,000 in September; 412,000 in November; and 352,000 in December.

At the time the bid was announced, CIM held around 5.5 per cent - which, because it topped 5 per cent, would make CIM an associate for the purposes of the Code. On the day the bid was announced, December 17, CIM sold 50,000 B&D shares; on the following day, it purchased 150,000; on December 22, it bought 11,000; and on December 23, 250,000. That leaves the current stake at 6 per cent. "In line with normal policy, CIM will not be voting its shareholding in discretionary funds in B&D," says the bank.

Meanwhile, Barker & Dobson itself yesterday replied to Dee's financing 'allegations' in a letter to its own shareholders. Dee's suggestion that B&D would be in breach of the gearing covenant made as part of the loan agreement, right from the beginning, is again firmly rejected.

"To reach this extraordinary conclusion, Dee and its advisers have picked on one covenant and an arbitrary date, made a fundamentally flawed assumption and have relied on unpublished information regarding Dee to which only they have access and which they have chosen not to reveal."

"The erroneous assumption is that the offer is accepted in full and that draw down takes place on January 31, 1988. In a contested offer, 100 per cent acceptance in such a timescale would be unprecedented."

Treasury spends £27m in BP buy-back offer

BY STEVEN BUTLER

THE UK TREASURY spent about £27m in its buy-back programme for the partly-paid shares of BP that were issued following the collapse of share prices in October.

This represented 1.8 per cent, or 39m out of the entire 2.13bn share issue.

Mr Nigel Lawson, Chancellor of the Exchequer, said that arrangements for the buy-back programme, which was announced on October 29, had been a complete success.

"They have secured virtually the full proceeds of the sale for the taxpayer, in exceptionally difficult circumstances, while avoiding a disorderly market in BP partly-paid shares, which are now trading above the 70p buy-back price," he said.

Mr Lawson did not comment on the 15.34 per cent stake in BP that has been built up by the Kuwait Investment Office after the flop of the Government's largest privatisation project. BP is known to be nervous about the intentions of the KIO. The City view however is that a bid for BP by the KIO is highly unlikely and would probably be blocked by the Government. The KIO has not commented on its intentions.

The KIO was evidently not behind the active buying of BP shares on Wednesday, on the day that the Treasury's offer expired, as the KIO would have had to announce any increased purchases yesterday.

Both BP fully-paid and new partly-paid shares rose yesterday, 5p to 269p and 3½p to 79½p respectively, in moderately heavy trading on a day in which the entire oil sector rose.

Market analysts said that institutions were adding BP shares to their portfolios, particularly after it became clear that the market would not be overhung by a large holding by the Treasury.

Some analysts also said that the volume of trading was boosted by the switch of holdings between fully-paid and partly-paid shares.

The Treasury now holds 1.8 per cent of BP's ordinary share capital. This stake includes shares acquired in the buy-back programme, as well as 68m shares held by the Treasury to meet bonus entitlements claims by small shareholders. Prior to the share issue, the Government held 31.5 per cent of BP.

Proceeds of the sale to the Exchequer, in installments over three years before expenses and net of purchases buy-back programme, will total £5.39bn.

RTZ bid for MK unconditional

RTZ has formally succeeded in its bid for **MK Electric**. The mining and industrial conglomerate yesterday declared that its £263m cash bid had gone unconditional after acceptances for its 700p per share offer reached 54.8 per cent.

Acceptances have not been received from **Legrand**, the French electrical company which accumulated 9 per cent of MK's shares before launching an abortive counter-bid to RTZ's original and lower offer.

Barbican cash call to fund property deal

By Andrew Hill

Barbican Holdings, the loss-making industrial, property and leisure holding company, is to acquire eight properties with the help of a £4.3m two-for-one rights issue.

The company is telling its 7,500 shareholders that survival is totally dependant on their approval of the acquisitions.

Holders are being offered shares at 1p, against the 2.6p at which the existing shares were last traded. Barbican is quoted under Stock Exchange rule 535(2) but dealings are currently suspended because of the deal.

The properties, in Scotland and the north of England, will be bought via cash and shares from the North British Industrial Association. Barbican will also acquire an option to buy the Spirella Building in Letchworth from NBIA for £4.5m.

On completion, NBIA will own 37 per cent of Barbican, but intends to reduce its holding to 30 per cent.

Barbican, formerly W.E. Norton Holdings, asked to be removed from a full Stock Exchange listing two years ago, until it was financially strong enough to apply for a re-listing.

Arco's Britoil stake now over 22%

Atlantic Richfield the US oil company, yesterday continued its buying of **Britoil** shares, raising its stake in the company from 21.91 per cent to 22.24 per cent. Arco purchased 1.65m shares at 445p.

Arco has said it intends to raise its stake in Britoil to 49 per cent.

BP, however, has built a near-30 per cent stake in Britoil and intends to launch at full bid at 450p per share.

Now for the year of the regions

By Paul Cheeseright

THIS IS no time for the faint-hearted. The Stock Exchange collapse carried away with it the notion that for property investment the horizon is always the limit. But that was because the boom had been too narrowly associated with the City of London.

So, welcome to the year of the regions. Here are some predictions. This year the investing institutions and the major developers will seize on the opportunities that have become increasingly apparent outside London. The drive into retail development nationwide will spread into the industrial and office sectors. Major developments and investments in the City of London will be left to the biggest players - the rest will seek their profits elsewhere.

There is one hostage to fortune in all this. The predictions presuppose that the national economy will grow at the "satisfactory pace" anticipated by Mr Nigel Lawson, the Chancellor of the Exchequer. But even if it does not, even if it succumbs to uncertainties brought about by the fall of the dollar, there could still be enough impetus in the British regions to make investment attractive this year.

Given that there is, historically, a time lag between a downturn in the economy and a downturn in property, next year could still be a good year in the regions even if the effect of the dollar decline bites unpleasantly.

There have been signs that the major investors have been responding to the growing shortage of office space in the main centres of the West Midlands, in the Manchester and Leeds areas, and in Bristol. In Newcastle and Liverpool the market has been showing signs of life. Glasgow has started to expand. In Edinburgh, shortage is acute.

The point is that the process of economic growth has not been confined to an area south of a line drawn from Bristol to The Wash. It has not been as fast and it has not necessarily been primed by investment from the outside.

The northern part of the country has for years been an economic Cinderella. But it has been physically transformed beyond recognition over the last 25 years, according to a recent study* from Reading University specialists.

"The North is in the process of painfully changing its basic economic structure through increasing the competitiveness of existing industry and through the simultaneous broadening of its economic base; this process is now well advanced," the study said.

The accompanying map of land values illustrates the relatively low capital outlays that are required as an entry ticket to this process, not only in the North but in the Midlands and the South West as well. And the land values shoot up once there is planning permission to use the sites for, say, high technology developments.

It is true that rental levels have not encouraged much development in regional centres, but now that increasing demand both for office and for industrial warehouse space has mopped up a great deal of surplus space, that particular problem is taking care of itself.

The point here is that southern-based developers and institutions have often been reluctant to venture outside the London orbital motorway. But in recent months there has been growing evidence that they are beginning to look further afield.

This is not surprising. The fixation with central London has been linked to the fact that although yields might have been low, capital gains have been handsome. In the regions generally, yields, especially on secondary industrial property, may have been high but the prospect of capital gains has been perceived as low.

It remains true that there is a shortage of space in central London, but uncertainties about the expansion of the securities industry have blunted the optimism about capital gains. At the same time though, the price of investment remains extraordinarily high, with consequent low yields.

This would suggest that, if it is necessary to forego the pleasure of high capital gains, there will over the next few months be a search for property investment offering high and reliable yields. Selectively, the regions offer that possibility.

Obviously the possibility varies from sector to sector and place to place. Another full scale recession would knock the prospect of high yields from industrial property and diminish the chances of rental growth in the offices sector.

But as a general rule the performance of property in the regions is less extreme than it is in central London. The peaks and troughs are neither so high nor so low. This could be attractive both to institutional and private investors, who might welcome some stability after their recent ride on the equity rollercoaster.

Here is a plus factor for regional property investment especially when it is combined with the fact that property investment returns have been increasing, encouraging greater institutional interest. The latest Jones Lang Wootton property index, published quarterly, reported an annual return of 16.3 per cent return, outperforming the gilt-edged market.

The coincidence of improved returns from property and the gyrations of the equity market has induced the surveyors to suggest, almost as one, that the major institutions will increase markedly their direct property investment. That remains to be seen.

Opportunities have been emerging for development not only in the enterprise zones scattered over the country, but also in the areas covered by urban development corporations. More may be created by the creation of simplified planning zones.

The significance of the inner cities programme for the immediate future of property investment in the regions, especially in the Midlands and northern part of the country, is that it reinforces the growth that is taking place in smaller centres and on the periphery of the major conurbations. That growth should ensure that the future does not belong only to the London area.

* *Northern Lights, a development agenda for the north in the 1990s, by Michael Breheny, Peter Hall and Douglas Hart; Derrick, Wade and Waters, 29a Wimpole Street, London W1M 7AD.*

Industrial land - range of values per acre

Sample location	Prime industrial £000 1988	Prime industrial £000 1987	Out of town retail (non-food) £000
Newcastle	20-40	20-40	150-250
Manchester	50-90	50-75	150-250
Leeds	60-75	50-75	150-250
Sheffield	40-70	30-50	100-200
Birmingham/Coventry	50-75	75-100	200-300
Nottingham	50-70	50-80	300-500
Cardiff	20-40	25-40	400-500
Bristol	100	125-175	500-600
Plymouth	50	40-60	300-400
Norwich	50	75-100	500-750
Watford	275-300	375-425	750-1000
Maidenhead	300-350	550-600	600-750
Crawley	250-275	400-475	900-1200
Chelmsford	60-100	150-180	400-600
Southampton	120	175-200	400-600

Source: Healey & Baker

COMMODITIES AND AGRICULTURE

Rubber market breaks through price 'ceiling'

BY WONG SULONG IN KUALA LUMPUR

RUBBER PRICES have broken through the "must sell" level of 242 Malaysian/Singapore cents a kg for the first time since the International Natural Rubber Agreement came into force more than seven years ago.

The 32-member, Kuala Lumpur-based International Natural Rubber Organisation announced yesterday that, in spite of "substantial" sales by its buffer stock manager during the past week, the five-day moving average reached 242.74 cents on January 6.

The average is a composite price index derived from prices of various grades of rubber traded in Kuala Lumpur, Singapore, London and New York.

Traders said strong buying interest by consumers in the West, back from the new year holidays, and the expectation of lower production with the start of the wintering season in South-east Asia pushed prices above the "must sell" level.

Mr Aldo Hofmeister, the buffer stock manager, said he would continue to sell rubber, and hoped to keep the price a few cents within the "must sell" level. He said it would take a few more days before his sales programme was felt by the market.

Since last September, he is believed to have sold about 50,000 tonnes from his 370,000 tonnes stockpile, which he built up during 1982 and 1984-86 when prices were depressed by overproduction and low demand.

During the past year, rubber prices have risen by more than 30 per cent because of strong overseas demand, particularly from the Far East, while fears of the AIDS disease have given a boost to rubber latex, used in the manufacture of surgical gloves and condoms.

The high prices provide strong incentives for Thailand and Indonesia to expand their rubber acreage since they are low cost producers with plenty of land.

In his budget speech last Tuesday, President Suharto identified rubber as a priority crop in Indonesia's diversification programme away from oil and gas. Thailand's Agriculture Minister, General Harn Leenanonda, said Thailand's rubber exports were projected to rise to 1m tonnes by 1991, from 800,000 tonnes in 1987 and 500,000 tonnes in 1981.

Malaysia's rubber land has been shrinking because of the steady conversion to better paying crops like palm oil and cocoa, but it can still increase production through intensive tapping and the use of chemical stimulants.

Freight futures continue bull run

By David Blackwell

THE BULL RUN on the Baltic International Freight Futures Exchange (Biffex) continued yesterday, with the Baltic Freight Index jumping 11 points to reach a new peak of 1,295.5 points.

The BFI, on which the exchange's dry cargo futures contract is based, started the week at 1,265.5 points. This time last year the index, which is compiled daily by eight panellists on the basis freight rates on 13 shipping routes, stood at 710.5.

The April position futures contract, which started the week at 1,343 points, yesterday breached the 1,400 level to close at 1,424 points. Each traded lot is measured by the points, worth $10 each. Volumes in the past week have averaged over 450 lots a day, compared with about 200 a day traded throughout November and December. Yesterday's closing volume was 771 lots.

Traders attributed the sharp rise this week to increased freight rates on the US to Europe and US to Japan grain shipping routes which make up 35 per cent of the BFI. In addition to demand for grain from the US, particularly to the Soviet Union, the upswing in the world economy has led to increased demand for coal and iron ore to be shipped to Japan.

Mr James Gray, of GNI Freight Futures, said that in July 1986 – the low end of the shipping market – it cost $4.50 to ship 1 tonne of grain from the US to Europe. Yesterday it was costing $13 a tonne.

He described the past five years as "terrible" for the shipping market, and the five years before that as "mediocre". Market conditions had led to a fall in shipbuilding and an increase in scrapping of ships.

"Now the demand for ships exceeds the supply," he said.

However, he warned that the shipping market was far more volatile than most other world markets, including that for the dollar, and urged caution, pointing out that the April contract was already priced 10 per cent higher than the current Baltic Freight Index.

Mr Philippe van den Abeele of Galbraiths, the shipbrokers, said the whole balance of supply and demand for shipping had changed. He expected the Biffex bull run to continue until the middle of the year. "Demand for shipping has been steadily increasing, while the supply of ships has been diminishing," he said.

Tidying up the EC set-aside plan

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission yesterday did little to end the uncertainty which still surrounds its plans to pay Europe's arable farmers to take land out of production.

Privately, however, officials close to the negotiations confirmed that Wednesday's full meeting of the 17-man Commission ended with a formal agreement on most of the details for a so-called set-aside proposal but that certain technical difficulties on other points have yet to be "tidied up".

It is understood that these will not require the official stamp of another full session of the Commission and that they will be carried out by Mr Frans Andriessen, the EC's Agricultural Commissioner and his close advisers.

The tactics of the Commission at this stage remained the subject of some speculation in Brussels yesterday.

To a very large extent the lengthy deliberations of the meeting on Wednesday reflect the genuine difficulty of devising a sensible, effective and consistent scheme which no one now denies has been largely inspired by the wholly political necessity of trying to avert the Community's looming financial crisis.

Some sort of production restraint along the lines envisaged by a set-aside scheme is widely seen as essential if West Germany is to accept key proposals for agricultural budget 'stabilisers', including automatic cereals price cuts, which lie at the heart of the Commission's still unresolved package of long term financial reforms.

Some Community diplomats suspect that the Commission may be deliberately holding up the formal presentation of its set-aside ideas so that certain countries – notably West Germany – are not tempted to rewrite the entire proposal ahead of next month's crucial Summit of EC heads of Government.

It now appears that the legal texts are unlikely to be ready for discussion by agricultural experts from member states at a meeting scheduled for early next week while a Commission spokesman refused to comment on whether they would be completed in time for the next meeting of EC Agriculture Ministers less than 10 days from now.

The major change in the original draft plan put to the Commission meeting by Mr Andriessen on Wednesday concerns the conditions to be attached to land which is left idle under the scheme.

Mr Andriessen's paper favoured the idea of allowing farmers qualifying for the compensation payments to plant grass and fodder crops as well as using the land for forestry and non-agricultural purposes. This green fallow philosophy is much favoured by the French but the drawback which seems to have swayed opinion at Wednesday's meeting is that the problem of arable surpluses which the scheme is intended to tackle might simply be transferred to the livestock sector (notably sheep and beef).

It was agreed, however, that the scheme would require farmers to take at least 20 per cent of their land for arable crops out of production for at least five years and that the Community budget's share of the cost would vary from 15 per cent to 50 per cent of the individual payments depending on their size. These will vary to reflect different levels of income and different types of land but the Community's share will apparently be determined in part by the member states.

For this reason the Commission is not able to calculate the cost of its proposals, though Mr Andriessen is confident that in view of the savings on storage costs there will ultimately be a net saving to the Community budget when it comes into force.

Under the Commission's scheme all producers who agree to take at least 20 per cent of their land out of production will be exempted from the additional co-responsibility on the first 20 tonnes of their output.

Exxon subsidiary experiments with futures

By David Owen in Toronto

CANADA-BASED Imperial Oil, the 70 per cent-owned subsidiary of Exxon, the world's largest oil company, has taken the plunge and started using energy futures on an experimental basis.

The move is seen as an important feather in the cap of the New York Mercantile Exchange, since Exxon was hitherto believed to be the only one of the big six oil majors not to have had at least limited recourse to its busy energy futures and options complex.

A company official in Toronto confirmed that Imperial is using futures "on an extremely limited basis in extremely conservative style."

"We are looking at it as a pilot programme," he added. "We think that they could be useful in certain situations."

While the management of Imperial's business is conducted in Canada, the spokesman said, Exxon is "aware of what we are doing and they didn't object." In 1986, Exxon president, Mr Lawrence Rawl, stated that since the company dealt in physical barrels, "futures are not very useful for our operation."

While unwilling to discuss the participation of individual companies at the exchange, Nymex president, Ms Rosemary McFadden, said that, in her view, "the oil industry has accepted the concept of futures and options as viable instruments."

"We continue to see new market participants as well as having existing participants increasing their use of the exchange," she added.

1987 volume on Nymex totalled 25.7m contracts – up an impressive 74 per cent from a year earlier.

Ivory Coast hopeful on cocoa support measures

THE IVORY Coast is hopeful that next week's emergency meeting of the International Cocoa Organisation (ICCO) Council in London will result in new market-support mechanisms, the most likely of which appears to be a cocoa withholding scheme, reports Reuter from Abidjan.

Agriculture Ministry officials, pleased by current buoyant market sentiment ahead of the January 13-15 talks, said there were no major differences on the principle of applying the cocoa withholding system to supplement buffer stock purchases.

They said a working group would discuss export quotas, destruction of poor quality cocoa held by the buffer stock, and limits on purchases from non-ICCO members. But agreement on these issues might not be possible next week.

The officials did not rule out an accord on the withholding scheme, although contradictions in the rules needed to be ironed out and adequate policing provided for.

"If the Council comes up with no other complementary measures, the withholding system will become effective (provided it is agreed)," one said.

Asked where that would leave the intervention range of the buffer stock, he said, "The intervention range will be lower."

Buffer stock buying has been suspended since last June because of disagreement over the necessity of cutting the intervention range by 115 Special Drawing Rights (SDRs).

The Agriculture Ministry officials gave very few clues to Ivory Coast's position, which was described as flexible.

One said export quotas would be easier to manage than a withholding scheme. However, the country appears to view the withholding scheme as an area for compromise, provided its technical problems can be resolved.

Smuggled goats threaten SA mohair dominance

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICAN mohair farmers are perturbed at an Australian threat to their R300m ($85m) a year industry.

At present angora goat farmers in the Eastern Cape virtually monopolise the world market for fine mohair and have been helped in maintaining that dominance by official prohibitions on the export of stud goats. The South African herds have been established through selective breeding over the past century to produce particularly fine mohair.

Local breeders now fear their position is threatened, however, following the surreptitious export of 275 stud goats to Australia.

According to reports from Australia a group of Australian breeders bought 275 stud animals and transported them illegally out of South Africa via Botswana and Zimbabwe over Christmas. The goats were mated in Zimbabwe and fertilised frozen embryos shipped to an Australian quarantine station.

Farmers here fear that within seven years the goats will be released from quarantine and Australian goat farmers will have developed herds able to compete with the best quality mohair

Jamaica revokes bauxite mining lease

BY CANUTE JAMES IN KINGSTON

THE JAMAICAN Government has revoked the mining lease of Alumina Partners of Jamaica, a bauxite refinery jointly owned by Reynolds Metals and Kaiser Aluminum of the US.

The 1.2m tonnes a year plant was closed in August 1985.

Dr Carlton Davis, executive director of the Jamaica Bauxite Institute, said the revocation of the lease has removed from Alumina Partners the right to mine 52,000 acres containing an estimated 100m tonnes of bauxite.

The institute is a state agency which oversees the bauxite industry in this island, the world's third largest producer of the ore.

Dr Davis said the Government had decided to revoke the company's 40 year mining lease because the land was needed and there was uncertainty about Alumina Partners' future plans.

When the refinery was shut down its owners said there was an oversupply of alumina on the world market and the production costs at the oil fired refinery were high. Since then the Government has twice announced intended agreements for reopening the plant, but the negotiations with the owners apparently fell through.

The company's mining lease took effect in 1980 when the Jamaican government reacquired lands owned by bauxite mining and refining companies working in the island. Industry officials say Alumina Partners' mining rights cover land containing rich ores, representing just under a half of the island's known reserves.

The Government's revocation of the company's lease, however, has been attacked by the opposition People's National Party.

US farmers attack free trade pact

BY NANCY DUNNE IN WASHINGTON

TWO US farm leaders have signalled their opposition to the US-Canadian Free Trade Agreement in its battle for Congressional approval later this year.

Mr Dallin Reese, chairman of US Wheat Associates, and Mr Jim Miller, president of the National Association of Wheat Growers, have complained that the agreement's provisions for wheat are "lopsided" and allow Canada to continue "trade-distorting" practices.

"The Canadians can sell wheat to us anytime they want, and do," Mr Reese said. "But Canada currently prohibits imports of wheat from the United States. Under this new agreement, that prohibition will probably stay in place, while the US border will become even more open."

Under the Agreement, signed last weekend, the two countries agreed to eliminate all agricultural tariffs within 10 years. Canada is to increase its quotas for eggs and poultry. Each country is exempted from the others' meat import restrictions, and Canada is exempted from US sugar restrictions on imports with 10 per cent or less sugar content. Canada has agreed to end transport subsidies for wheat shipped to US destinations.

However, according to Mr Miller, the agreement requires Canada to discontinue the subsidies on grain shipped out of western ports "but says nothing about wheat shipped from eastern points, which is the source of the majority of Canadian wheat imported into the US."

Canadian wheat shipments to the US have increased dramatically to about 14.7m bushels, the leaders said. However, they complained that the FTA limits the use of American trade law.

The two leaders said they were in favour of free trade. "If this were really a free trade agreement, we wouldn't be criticising it," Mr Miller said. "But the fact is, at least where wheat's concerned, this isn't free trade."

Noranda considers tin case appeal

By David Owen in Toronto

NORANDA, the Toronto-based mining conglomerate, is considering whether or not to appeal against an Ontario Supreme Court ruling that its suit claiming C$38m ($30m) in damages from the Canadian Government in connection with the 1985 collapse of the International Tin Council was launched in the wrong court.

The suit, brought through Noranda's metals trading subsidiary Rudolf Wolff and filed in October, contends that the Government is liable for the company's losses accruing from the tin market crash just over two years ago because of its 2.3 per cent voting interest in the ITC. The ITC left behind massive debts when its long-running price support operation fell apart under intense market pressure.

In his ruling, Judge David Henry said that he was bound by Ontario Court of Appeal rulings that the Charter of Rights and Freedoms did not grant litigants a right to sue the Federal Government in provincial courts

Sugar agreement talks scheduled

BY DAVID BLACKWELL

THE INTERNATIONAL Sugar Organisation is to meet next month to look at ways of bringing the 1987 International Sugar Agreement into force.

The agreement, which was negotiated in September last year, would have come into operation automatically on January 1 if enough countries had ratified or provisionally applied it.

However, the 1984 agreement was last year extended until March 1 this year. The organisation is confident that by then enough countries will have completed the necessary legal formalities to bring the new agreement into operation.

An official for the organisation said yesterday that the extension of the old agreement until March "might have given the wrong idea to some countries." Administrative problems had also hindered some prospective signatories.

The International Sugar Agreement does not have any market stabilisation arrangements, but exists to compile statistics and provide a forum for discussion.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL PRICES fell sharply in early trading on the London Metal Exchange yesterday, touching $2.96 a lb at one stage compared with the record $4 reached just before Christmas. Traders said very heavy European merchant selling yesterday at a time when there was little buying interest forced the price down. The recent arrival of Russian nickel which boosted LME stocks might have unnerved some people, traders suggested. Mr John Harris, analyst with metal traders Rudolph Wolff, suggested that, once the nickel price had settled it would edge higher during the first half of this year because nothing had changed the fundamental tightness of supply. Supply difficulties have been made worse by Falconbridge's suspension of shipments of ferro-nickel from the Dominican Republic because of a dispute with the government there. Three shipments have already been lost and another this week is threatened.

SPOT MARKETS

Crude oil (per barrel FOB January)		+ or -
Dubai	$15.52-5.65y	+0.06
Brent Blend	$17.20-7.50	-0.50
W.T.I.(1 pm est)	$17.70-7.75y	-0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$163-168	
Gas Oil	$155-157	
Heavy Fuel Oil	$77-78	-2
Naphtha	$147-149	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$483.50	-2.00
Silver (per troy oz)♣	698.00c	-11.50
Platinum (per troy oz)	$507.75	+3.45
Palladium (per troy oz)	$127.50	+2.50
Aluminium (free market)	$1965	
Copper (US Producer)	147¾-153c	-7.437
Lead (US Producer)	40c	
Nickel (free market)	330c	-70
Tin (European free market)	£3865	-20
Tin (Kuala Lumpur market)	17.27r	+0.06
Tin (New York)	321c	+0.5
Zinc (Euro. Prod. Price)	$860	
Zinc (US Prime Western)	44.375c	
Cattle (live weight)†	105.90p	-0.01*
Sheep (dead weight)†	167.89p	-21.31*
Pigs (live weight)†	67.87p	-1.37*
London daily sugar (raw)	$241.00v	-5.80
London daily sugar (white)	$245.00v	-5.50
Tate and Lyle export price	£240.50	-2.50
Barley (English feed)	£112.50	-0.50
Maize (US No. 3 yellow)	£138.00	
Wheat (US Dark Northern)	£97.50u	+3.00
Rubber (spot)▼	65.50p	-0.25
Rubber (Feb) ▼	67.00p	-0.25
Rubber (Mar) ▼	66.75p	-0.25
Rubber (KL RSS No 1 Feb)	277.00m	+0.50
Coconut oil (Philippines)§	$610.00u	
Palm Oil (Malaysian)§	$492.50y	
Copra (Philippines)§	$390.00	
Soyabeans (US)	£175.00	+3.00
Cotton "A" index	74.40c	+0.05
Wooltops (64s Super)	484p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. v-Jan/Feb. z-Dec. y-Feb. u-Apr/May † Meat Commission average fatstock prices. * change from a week ago. ▼ London physical market. § CIF Rotterdam ♣ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low	
Mar	1117	1134	1126	1114
May	1137	1152	1146	1135
Jly	1157	1170	1164	1155
Sep	1177	1190	1183	1175
Dec	1199	1213	1206	1187
Mar	1225	1238	1232	1222
May	1245	1258	1253	1245

Turnover: 4014 (6933) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for January 6: 1445.95 (1417.61) .10 day average for January 7: 1377.04 (1369.87).

COFFEE £/tonne

	Close	Previous	High/Low	
Jan	1207	1218	1214	1203
Mar	1236	1249	1242	1232
May	1255	1270	1265	1253
Jly	1276	1288	1287	1272
Sep	1295	1307	1303	1295
Nov	1314	1324	1317	1314
Jan	1336	1337		

Turnover: 3655 (4171) lots of 5 tonnes
ICO indicator prices (US cents per pound) for January 6: Comp. daily 1979 115.17 (114.80); 15 day average 114.93 (114.81).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
Mar	210.80	210.60	211.60	207.00
May	210.40	209.60	210.80	206.40
Aug	210.40	210.80	210.60	207.20
Oct	211.00	210.60	211.00	207.00
Dec	213.20	211.80		
Mar	218.20	214.40	215.60	
May	217.20	218.00		
White	**Close**	**Previous**	**High/Low**	
Mar	246.30	246.00	250.00	243.00
May	249.70	248.50	250.50	247.00
Aug	255.00	256.00	254.50	253.00
Oct	254.50	258.00	255.70	252.00
Dec	256.00	263.00		
Mar	259.00	267.00	259.50	
May	263.00	270.00		

Turnover: Raw 4616 (5306) lots of 50 tonnes; White 1535 (1784).
Paris- White (FFr per tonne): Mar 1361, May 1391, Aug 1423.

GAS OIL $/tonne

	Close	Previous	High/Low	
Jan	156.50	155.50	157.00	155.00
Feb	154.00	153.25	154.50	152.25
Mar	149.25	148.50	150.00	148.00
Apr	144.25	144.00	145.50	144.00
May	141.50	141.00	144.00	141.50
Jun	143.00	142.75	144.50	142.75
Jul	143.00	141.00	144.25	143.00

Turnover: 7359 (6401) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jan	111.65	111.75	111.75	111.50
Mar	113.40	113.65	113.75	113.25
May	115.70	116.00	116.10	115.55
Jly	118.05	118.35	118.35	117.85
Sep	103.15	103.40	103.30	103.15
Nov	105.20	105.40	105.30	105.20
Jan	107.75	108.20	108.10	107.75
Barley	**Close**	**Previous**	**High/Low**	
Jan	107.15	107.70	107.55	107.10
Mar	109.10	109.60	109.45	109.10
May	110.00	110.55		
Sep	98.20	98.20		
Nov	100.70	100.70		
Jan	102.95	102.95		

Turnover: Wheat 271 (474), Barley 45 (66) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	1940-50	1960-80		1955-75		
3 months	1860-70	1870-90		1870-90	1865-75	2,816 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 14,200 tonne
Cash	1066-8	1087-91		1075-6		
3 months	1020-1	1034-5	1028/1016	1025-6	1015-6	49,547 lots
Copper, Grade A (£ per tonne)						Ring turnover 42,875 tonne
Cash	1565-95	1640-5	1600/1565	1595-6		
3 months	1411-3	1458-60	1433/1393	1400-2	1411-2	75,872 lots
Copper, Standard (£ per tonne)						Ring turnover 75 tonne
Cash	1540-5	1530-50		1545-50		
3 months	1330-90	1430-60	1380	1370-80		52 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	698-701	700-3		698-701		
3 months	709-12	711-5		710-3	709-12	707 lots
Lead (£ per tonne)						Ring turnover 11,475 tonne
Cash	357-8	361-2		354-5		
3 months	346-9	352-3	352/345	345-5.5	346-8	11,805 lots
Nickel (£ per tonne)						Ring turnover 3,078 tonne
Cash	4150-70	4670-80		3855-65		
3 months	3960-5	4475-85	4000/3680	3660-70	3965-85	8,333 lots
Zinc (£ per tonne)						Ring turnover 7,950 tonne
Cash	474.5-6.5	476-80	470	470-1		
3 months	480-1	484-6	481/476	475-6	477-8	12,128 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Feb	98.80	98.00		
Mar	87.50	87.50		
Apr	142.80	142.00	143.50	142.00
May	156.60	155.80	157.60	156.00
Nov	90.00	89.00		
Feb	95.00	95.00		

Turnover: 179 (247) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Feb	140.50	141.50		
Apr	133.00	134.40	133.50	133.00
Jun	123.50	125.00		
Aug	120.50	121.00		
Oct	120.70	121.00	120.00	
Dec	123.00	123.00		
Feb	125.00	125.00		

Turnover: 66 (62) lots of 100 tonnes.

FREIGHT FUTURES £/index point

	Close	Previous	High/Low	
Jan	1365.0	1348.0	1365.0	1348.0
Apr	1424.0	1391.0	1425.0	1397.0
Jly	1275.0	1238.5	1279.0	1240.0
Oct	1345.0	1320.0	1349.0	1330.5
BFI	1295.5	1284.5		

Turnover: 791 (459)

FRUIT AND VEGETABLES
English coxs, 36-60p a lb, spartans and russets, 35-45p, and French golden delicious, 20-40p, are unchanged and in plentiful supply, reports FFVIB. Although supplies have grown, oranges, 10-30p each, lemons, 10-22p, and grapefruit, 12-28p, are unchanged. Seville marmalade oranges, at the start of their very short season, are 30-35p a lb. With the mild, wet weather, cauliflowers, 45-65p a head (70-85p), are abundant. Carrots, 14-24p, parsnips, 15-35p, turnips, 20-30p, swedes, 18-15p, white potatoes, 11-14p, and reds, 13-15p, are static. Imported tomatoes, 55-75p (60-80p), are building in supply. Lettuce is still in short supply with prices stable at 35-50p a head and iceberg 80p-£1.20, but these are expected to fall as supplies increase. Spring onions are in short supply at 40-45p a bunch (30-40p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	483¼-483¾	266½-267
Opening	482¾-483¼	267-267½
Morning fix	483.85	266.492
Afternoon fix	483.50	267.759
Day's high	484-484½	
Day's low	482½-483	
Coins	**$ price**	**£ equivalent**
US Eagle	497¾-502¾	274½-277½
Mapleleaf	497¾-502¾	274½-277½
Britannia	497¾-502¾	274½-277½
Krugerrand	482-485	265¾-267¼
1/2 Krug	251-260	138¼-143¼
1/4 Krug	124-132	68¼-72¾
Angel	494-499	272-274¾
1/10 Angel	49-54	27-29¾
New Sov.	113¾-114¾	62¾-63½
Old Sov.	113¾-115¼	62¾-63¾
Noble Plat	523-528	288½-292¾

Silver fix	p/fine oz	US cts equiv
Spot	384.90	698.50
3 months	393.25	712.20
6 months	401.65	724.75
12 months	419.50	751.40

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1800	119	151	39	117
1900	65	107	84	171
2000	31½	74½	149	236
Aluminium (99.5%)	**Calls**		**Puts**	
1750	169	133	55	109
1850	112	90½	98	164
1950	71	59½	155	231
Copper (Grade A)	**Calls**		**Puts**	
2400	369	265	125	247
2550	283	205	199	333
2700	214	156	268	431

US MARKETS

Silver led the precious metals, easing on local selling which touched off light stops before trade buying emerged to pare losses, reports Drexel Burnham Lambert. Copper eased on commission house selling but local and trade buying was noted at lower levels. Energy futures activity centered on heating oil and unleaded gas, which continued to reflect the cold weather. Crude oil was quiet and eased in light volume but derived underlying support from the products. Coffee closed lower but with pared losses as short-covering emerged in advance of the forthcoming special ICO meeting. Cocoa eased on trade liquidation and Brazilian selling. Sugar recovered on trade buying following commission house and fund long-liquidation. Massive short-covering rallied meat futures sharply in response to the unexpectedly bullish crop report which indicated that breed hog stocks were substantially less than expected. Soyameal continued to ease reflecting lower cash premiums in the US and Europe and lacklustre physical trade, and this also eased soyabeans. Soya oil firmed on reports of purchases by India.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	481.2	483.3	0	0
Feb	483.1	485.3	486.0	482.8
Mar	485.7	487.9	0	0
Apr	489.1	491.3	492.0	488.5
Jun	494.6	497.0	497.5	493.5
Aug	500.8	503.0	503.6	502.0
Oct	507.1	509.3	509.3	509.3
Dec	513.4	515.6	516.5	515.2
Feb	520.0	522.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	506.0	509.5	510.0	506.0
Apr	512.9	515.9	518.0	512.5
Jul	520.4	523.1	522.5	522.0
Oct	528.4	531.1	530.5	530.0
Jan	536.4	539.1	539.0	539.0
Apr	546.0	0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	693.0	706.9	699.5	699.0
Feb	697.0	710.7	0	0
Mar	701.0	714.6	711.5	696.0
May	711.0	724.3	722.0	706.0
Jul	721.0	734.0	732.0	716.0
Sep	730.4	743.4	739.0	735.0
Dec	746.3	759.4	754.0	749.0
Jan	751.2	764.2	0	0
Mar	762.3	775.1	768.0	768.0
May	773.0	785.8	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	132.25	134.00	132.50	132.00
Feb	120.80	126.55	0	0
Mar	115.80	118.30	117.40	115.40
May	103.60	104.00	104.80	102.00
Jul	93.70	93.00	94.20	92.00
Sep	90.20	89.00	90.45	88.00
Dec	89.10	187.50	89.50	88.00
Jan	89.10	87.30	0	0
Mar	88.90	98.90	89.00	88.50
May	88.90	786.70	89.00	89.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Feb	17.38	17.82	17.79	17.36
Mar	17.16	17.61	17.58	17.15
Apr	17.05	17.47	17.44	17.04
May	17.00	17.36	17.30	16.98
Jun	16.90	17.27	17.21	16.90
Jul	16.91	17.20	17.05	16.95
Aug	16.85	17.13	16.95	16.85
Sep	17.00	17.06	17.00	17.00
Oct	16.85	16.99	16.85	16.85

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Feb	53.75	53.48	54.40	53.10
Mar	50.85	50.56	51.50	50.40
Apr	48.00	48.28	48.65	47.90
May	48.00	46.80	47.20	46.55
Jun	45.00	46.00	46.20	45.65
Jul	45.40	45.90	46.05	45.80

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1878	1893	1890	1871
May	1904	1010	1914	1899
Jul	1930	1946	1941	1927
Sep	1958	1974	1968	1953
Dec	1998	2008	2005	1995
Mar	2023	2040	0	0
May	2053	2064	2064	2064

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	128.44	128.58	128.50	127.80
May	130.67	130.87	130.80	130.10
Jul	132.53	132.90	132.80	132.20
Sep	135.20	135.00	134.90	134.20
Dec	137.48	137.50	137.50	137.25
Mar	138.75	140.85	0	0
May	140.28	142.90	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.29	9.16	9.44	9.21
May	9.33	9.29	9.40	9.22
Jul	9.40	9.35	9.42	9.20
Oct	9.42	9.38	9.43	9.25
Jan	9.47	9.48	0	0
Mar	9.66	9.63	9.70	9.55
May	9.71	9.70	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	66.58	66.20	66.55	65.50
May	66.34	66.57	67.25	66.16
Jul	66.40	67.03	67.45	66.40
Oct	63.95	64.55	64.60	63.95
Dec	62.90	63.55	63.65	62.80
Mar	64.05	64.55	0	0
May	64.37	64.65	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	162.50	164.50	164.50	162.00
Mar	166.25	167.15	167.15	164.10
May	168.50	168.15	168.15	165.70
Jul	166.80	167.50	167.75	166.00
Sep	165.45	167.25	166.95	165.50
Nov	162.75	162.95	0	0
Jan	161.25	161.25	0	0
Mar	161.25	161.25	0	0
May	161.25	161.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 5	Jan 5	mnth ago	yr ago
1765.0	1752.2	1675.6	1636.7

DOW JONES (Base: December 31 1974 = 100)

Spot	134.74	133.99	130.78	115.00
Futures	136.62	136.16	132.86	115.49

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	619/6	626/0	628/6	618/4
Mar	626/4	633/4	637/4	625/4
May	635/4	643/0	646/0	634/4
Jul	640/6	646/6	651/0	639/4
Aug	638/0	645/0	647/0	638/0
Sep	628/4	635/0	639/4	628/4
Nov	625/4	632/6	635/0	625/4
Jan	632/0	639/4	642/0	632/0
Mar	640/0	645/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	22.13	21.90	22.34	21.95
Mar	22.38	22.16	22.62	22.22
May	22.58	22.38	22.81	22.50
Jul	22.69	22.49	22.98	22.55
Aug	22.62	22.48	22.80	22.53
Sep	22.55	22.38	22.70	22.46
Oct	22.45	22.37	22.60	22.35
Dec	22.37	22.36	22.67	22.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	196.2	199.6	199.5	195.0
Mar	189.3	193.1	193.5	188.0
May	184.5	187.8	188.7	184.0
Jul	183.0	185.4	186.5	183.0
Aug	183.5	185.2	185.5	183.5
Sep	184.2	184.5	185.0	184.0
Oct	183.0	183.6	184.5	183.0
Dec	182.6	184.0	185.5	182.5
Jan	184.0	184.0	185.5	184.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	192/6	191/0	194/0	190/0
May	196/6	195/6	200/0	196/4
Jul	202/6	199/6	204/2	199/4
Sep	204/4	201/6	206/4	201/6
Dec	206/4	204/4	209/4	204/0
May	220/0	215/6	220/0	219/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	328/6	337/4	335/0	327/0
May	328/4	330/0	334/4	326/4
Jul	317/6	319/2	326/0	317/4
Sep	321/0	323/0	328/0	321/0
Dec	330/4	333/0	336/4	330/4
Mar	337/0	0	337/0	335/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	65.90	54.72	66.22	65.77
Apr	67.80	66.67	68.10	67.30
Jun	67.25	66.46	67.90	67.12
Aug	64.80	63.60	65.10	64.35
Oct	63.32	62.67	64.17	63.17
Dec	64.10	0	65.15	64.05

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	44.97	43.47	44.97	44.97
Apr	41.82	40.32	41.82	41.82
Jun	45.40	43.90	45.40	45.40
Jul	46.10	44.60	46.10	46.10
Aug	44.90	43.40	44.90	44.90
Oct	40.22	38.72	40.22	40.22
Dec	41.10	0	41.10	41.10

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	54.15	52.15	54.15	54.15
Mar	54.40	52.40	54.40	54.40
May	56.00	54.00	56.00	56.00
Jul	55.92	53.92	55.92	55.92

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar pauses for breath

THE DOLLAR was weaker in currency markets yesterday. Trading was confused for much of the day in the absence of any fresh incentive, either from central banks or economic data.

"Central banks provided the lead for the new year but now they have taken a back seat", one dealer suggested. The lack of intervention certainly left traders in some doubt. The upside was limited because analysts still saw little prospect of an improvement in the economic fundamentals that had pushed the dollar lower in the last few months of 1987. At the same time bear traders were less than willing to re-enter the market, mainly because the lack of volume made intervention by central banks, to support the dollar, that much more effective.

By and large, dollar bears were now carrying square positions, and nursing their wounds. One trader suggested that there may be some volatility today, ahead of the weekend and US unemployment figures, but most people were awaiting next week's release of US trade figures for November.

Most analysts saw a significant improvement from October's record $17.63bn deficit, which would boost the effects of recent intervention by central banks to support the dollar. Those who persisted in projecting a bearish figure of $15bn plus, were in the minority but dealers were quick to point out that such a figure would probably be sufficient to brush aside all attempts by central banks to hold the dollar.

The US unit closed at DM1.6385 from DM1.6495 and Y128.50 compared with Y129.70. Elsewhere it slipped to SFr1.3375 from SFr1.3460 and FFr5.5400 compared with FFr5.5775. On Bank of England figures, the dollar's exchange rate index fell from 94.2 to 93.7.

STERLING-Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. December average 1.8269. Bank of England's exchange rate index was 75.3, unchanged from the opening and Tuesday night's close of 75.3. The six months ago figure was 73.0.

Sterling showed a firmer tendency against a weaker dollar but was virtually unchanged against its European partners. Trading was rather quiet and featureless for much of the day and attention tended to focus on the dollar.

Sterling closed at $1.8160, up from $1.8050 but was slightly lower against the D-Mark at DM2.9750 compared with DM2.9775. Against the yen it finished at Y233.25 from Y234.0. Elsewhere it closed at SFr2.4290 from SFr2.4300 and FFr10.06 against FFr10.0675.

D-MARK-Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. December average 1.6354. Exchange rate index 151.1 against 146.7 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing when the dollar was quoted at DM1.6408 from DM1.6460 on Wednesday.

The lack of direction enabled speculation to create a distorted move in rates. Suggestions that the Bank of Japan was now refraining from any intervention provided one of the more colourful rumours. Indeed a Bank spokesman later described the insinuation as being ridiculous and irresponsible.

Some correction from the dollar's recent highs appeared to be inevitable and although fundamentals pointed towards a weaker dollar, bear traders were obviously a little reluctant to run short positions in the face of the threat of central bank intervention.

News of a DM6bn cut in the rediscount quota appeared to have little effect. The move was designed to take out surplus liquidity caused by continued central bank intervention to support the dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2025	+1.75	+1.01	±1.5344
Danish Krone	7.85212	7.93572	+1.06	+0.32	±1.5404
German D-Mark	2.05853	2.06384	+0.26	-0.48	±1.0981
French Franc	6.90403	6.98120	+1.12	+0.38	±1.3674
Dutch Guilder	2.31943	2.31993	+0.02	-0.72	±1.5012
Irish Punt	0.768411	0.777343	+1.16	+0.42	±1.6684
Italian Lira	1483.58	1519.25	+2.40	+2.19	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan.7	Close	Previous Close
£ Spot	1.8155-1.8165	1.8080-1.8090
1 month	0.26-0.24pm	0.26-0.24pm
3 months	0.76-0.72pm	0.71-0.68pm
12 months	2.82-2.72pm	2.70-2.60pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

Jan.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

STERLING INDEX

	Jan.7	Previous
[illegible]		

CURRENCY RATES

Jan.7	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]			

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

CURRENCY MOVEMENTS

Jan.7	Bank of England Index	Morgan Guaranty Changes %
[illegible]		

EURO-CURRENCY INTEREST RATES

Jan.7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]						

OTHER CURRENCIES

Jan.7	£	$
[illegible]		
Taiwan	51.30-51.50	28.50-28.60
U.A.E.	6.6580-6.6640	3.6715-3.6735

*Selling rate

EXCHANGE CROSS RATES

Jan.7	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Good start for medium gilts

MEDIUM TERM gilt futures had a successful first day's trading on the London International Financial Futures Exchange yesterday. Trading was uneventful, but traders were generally satisfied with the level of volume.

This totalled 3,181 lots, as trading slackened towards the close, after recording about 1,700 lots in the first two hours.

Long term gilt futures opened slightly lower, and moved within a narrow range, to finish around the lowest level of the day, on a report that a large US trader had sold gilts and bought US Treasury bonds. The selling pressure was partly offset by sterling's improvement against the dollar.

March long gilts opened at 117-07 and touched a peak of 117-18, before falling to 117-01 and closing at 117-02, compared with 117-14 on Wednesday.

In spite of the weaker trend traders noted good support for the contract above 117-00, but said there was a general lack of retail interest in the cash market.

The lack of economic news from the US and UK created uncertain trading, against a background of volatility on the foreign exchanges.

Prospects for lower UK interest rates have receded, with many economists expecting the next move in base rates to be up. A test for the market may come with next week's figures on UK unemployment and retail prices for December.

Three-month sterling deposit futures traded steadily during a dull day. March delivery opened at 90.81 and closed at the day's low of 90.76, against 90.83 at the previous settlement.

Traders suggested that sterling's steady performance against the D-Mark was helping to keep the market calm.

US Treasury bond prices opened lower in the US, and weakened with the dollar. On Liffe the March contract fell to 87-25 at the close from 88-19.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
116	2.24	3.41	1.20	2.41
118	1.24	2.43	2.20	3.43
120	0.47	1.54	3.43	4.54
122	0.24	1.16	5.20	6.16
124	0.12	0.53	7.08	7.53
126	0.06	0.34	9.02	9.34
128	0.03	0.21	10.63	11.21
130	0.01	0.12	12.61	13.12

Estimated volume total, Calls 2273 Puts 596
Previous day's open int: Calls 29947 Puts 14634

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	6.05	5.61	0.19	1.09
84	4.28	4.38	0.42	1.50
86	2.59	3.28	1.09	2.40
88	1.42	2.30	1.56	3.42
90	0.56	1.47	3.06	4.99
92	0.29	1.11	4.43	6.23
94	0.16	0.49	6.30	7.61
96	0.07	—	8.21	—

Estimated volume total, Calls 6 Puts 0
Previous day's open int: Calls 861 Puts 992

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Jan	Calls-Last Feb	Puts-Last Jan	Puts-Last Feb
16000	20.85	22.45	0.25	1.85
16500	16.25	18.54	0.65	2.94
17000	12.06	15.01	1.46	4.41
17500	8.45	11.90	2.85	6.30
18000	5.55	9.25	4.95	8.65
18500	3.41	7.04	7.81	11.44
19000	1.95	5.25	11.35	14.65
19500	1.85	3.83	15.43	18.23

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 35 Puts 64

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike Price	Calls-Last				Puts-Last			
[illegible]								

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike Price	Calls-Last				Puts-Last			
[illegible]								

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike Price	Calls-Last				Puts-Last			
[illegible]								

LIFFE- EURODOLLAR OPTIONS $1m points of 100%

Strike Price	Calls-Last			Puts-Last		
[illegible]						

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100% — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% — [illegible]

THREE-MONTH STERLING £500,000 points of 100% — [illegible]

FT-SE 100 INDEX £25 per full index point — [illegible]

THREE MONTH EURODOLLAR $1m points of 100% — [illegible]

U.S. TREASURY BONDS 8% $100,000 32nds of 100% — [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr — [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 — [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM — [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

STANDARD & POORS 500 INDEX $500 times index — [illegible]

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE) — [illegible]

IMM-STERLING Se per £ — [illegible]

LIFFE-STERLING £25,000 $ per £ — [illegible]

MONEY MARKETS

Little change

THERE WAS little movement in London money market rates yesterday, as dealers remained uncertain about the future direction of UK bank base rates.

Fear about further disruption in financial markets has not ruled out another cut in base rates, according to dealers, but a probable worsening of the UK's current account deficit this year points towards higher rates at some time.

A cautious approach was also indicated by a speech made in Scotland by Mr Robin Leigh-Pemberton, Governor of the Bank of England.

UK clearing bank base lending rate 8½ per cent from December 4

Three-month interbank was unchanged at 9⅙-8⅞ p.c., as sterling improved against a generally weaker dollar.

The Bank of England initially forecast a money market shortage of £750m, but revised this to £700m at noon, and provided total help of £641m.

Before lunch the authorities bought £541m bills, by way of £59m bank bills in band 2 at 8⅜ p.c.; £58m bank bills in band 3 at 8⅜ p.c.; £1m local authority bills in band 4 at 8⅜ p.c.; and £423m bank bills in band 4 at 8⅜ p.c.

In the afternoon the Bank of England purchased £55m bills, through £5m Treasury bills in band 4 at 8⅜ p.c., and £50m bank bills in band 4 at 8⅜ p.c.

Late assistance of around £45m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £686m, with Exchequer transactions absorbing £155m. These factors outweighed a fall in the note circulation adding £20m to liquidity, and bank balances above target of £50m.

In New York the Federal Reserve added temporary liquidity to the banking system via overnight system repurchase agreements, when Federal funds were trading at 6⅞ p.c., after opening at 6¾ p.c.

In Frankfurt the West German Bundesbank said the cut in its rediscount quotas was purely technical. The move compensates for recent currency inflows, resulting from intervention on the foreign exchanges, and does not represent a change in monetary policy.

On October 31, 1987 rediscount quotas stood at DM52.70bn, and from February 1 will be reduced by around DM6bn.

The rediscount quotas are the amounts that banks are allowed to draw on the Bundesbank's discount facility. A cut in the quotas amounts to a withdrawal of liquidity.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.7) 3 months US dollars — bid 7¼, offer 7⅜; 6 months US Dollars — bid 7⅝, offer 7¾

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — [illegible]

Jan.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]					
Paris	[illegible]					
Zurich	[illegible]					
Amsterdam	[illegible]					
Tokyo	[illegible]					
Milan	[illegible]					
Brussels	[illegible]					
Dublin	[illegible]					

LONDON MONEY RATES

Jan.7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]						

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, January 6, 1988. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto. 24-hours a day trading capability. Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.26373 SDR1=$US1.38426 As of January 6, at 11.00 a.m. Eurodollar Libor: 3 months 7⅜, 6 months 7½; Sibor: 7⅜, 7⅝

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
[illegible]								

n.a. Not available. [illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$ 460	-	-	25	41.50	-	-	$ 483.50
GOLD C	$ 500	71	8	26	22.50 B	6	32	$ 483.50
GOLD P	$ 920	-	-	-	-	20	5.50	$ 483.50
GOLD P	$ 460	40	9	19	10	-	-	$ 483.50
GOLD P	$ 500	140	21	-	-	-	-	$ 483.50
		Mch. 88		Jun. 88		Sep. 88		
SILVER C	$ 800	20	20	-	-	-	-	$ 697
		Jan. 88		Feb. 88		Mch. 88		
EOE Index C	Fl. 160	36	20	5	21.50	-	-	Fl. 178.79
EOE Index C	Fl. 170	22	9.20	1	14	-	-	Fl. 178.79
EOE Index C	Fl. 175	55	5.90	32	12	2	14.50	Fl. 178.79
EOE Index C	Fl. 180	260	2.80	29	9.50	7	12	Fl. 178.79
EOE Index C	Fl. 185	64	1.30	39	6.50	28	9.80	Fl. 178.79
EOE Index P	Fl. 155	-	-	215	1.80	-	-	Fl. 178.79
EOE Index P	Fl. 165	24	0.80	18	4.20	21	6	Fl. 178.79
EOE Index P	Fl. 170	70	1.30	46	6	33	8	Fl. 178.79
EOE Index P	Fl. 175	27	3.20 A	43	8	-	-	Fl. 178.79
EOE Index P	Fl. 180	38	5	35	10	7	12.50	Fl. 178.79
EOE Index P	Fl. 155	116	8 A	30	12.50	1	15 B	Fl. 178.79
EOE Index P	Fl. 190	38	12 A	-	-	-	-	Fl. 178.79
$/Fl C	Fl. 180	105	5	-	-	-	-	Fl. 184.66
$/Fl C	Fl. 185	126	1.90	1000	3	17	3.70	Fl. 184.66
$/Fl C	Fl. 190	11	0.30	7	1.50	60	2.30	Fl. 184.66
$/Fl P	Fl. 175	-	-	-	-	333	1.70	Fl. 184.66
$/Fl P	Fl. 180	32	0.70	1036	2.30	15	3.40	Fl. 184.66
$/Fl P	Fl. 185	3	2.50	5	4.50 A	15	5.60	Fl. 184.66
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl. 40	153	0.70	37	2.50	3	3.50 A	Fl. 39.10
ABN P	Fl. 44	91	5.20	-	-	-	-	Fl. 39.10
AEGON C	Fl. 65	24	0.50	6	3.40 A	-	-	Fl. 61.20
AEGON P	Fl. 45	-	-	20	0.90	-	-	Fl. 61.20
AHOLD C	Fl. 75	51	0.50	178	2.50	-	-	Fl. 66.50
AHOLD P	Fl. 70	272	4 B	4	7 B	6	8.50	Fl. 66.50
AKZO C	Fl. 90	479	3.70	112	10	7	11	Fl. 92.30
AKZO P	Fl. 90	284	1.90	215	7	-	-	Fl. 92.30
AMEV C	Fl. 55	-	-	-	-	25	1.10	Fl. 39.80
AMEV P	Fl. 50	-	-	-	-	25	12	Fl. 39.80
AMRO C	Fl. 70	-	-	9	1	64	1.50	Fl. 59.20
AMRO P	Fl. 70	6	11.30	-	-	51	12	Fl. 59.20
ELSEVIER C	Fl. 45	129	0.80	75	4	6	6.20	Fl. 44.30
ELSEVIER P	Fl. 40	33	0.60	-	-	-	-	Fl. 44.30
GIST-BROC. C	Fl. 27.50	38	0.30	11	2	69	3	Fl. 24.70
GIST-BROC. P	Fl. 25	4	0.90	294	2.80	13	4.50	Fl. 24.70
HEINEKEN C	Fl. 130	14	3.50 A	3	12 A	-	-	Fl. 130.30
HEINEKEN P	Fl. 130	-	-	24	8.60 B	-	-	Fl. 130.30
HOOGOVENS C	Fl. 27.50	130	1.30	-	-	-	-	Fl. 27
HOOGOVENS P	Fl. 25	-	-	66	2.70	-	-	Fl. 27
KLM C	Fl. 35	556	0.20	43	1.60	28	3.30	Fl. 30.80
KLM P	Fl. 45	475	14.50	4	14.30	475	15.30	Fl. 30.80
NEDLLOYD C	Fl. 140	137	6.50	15	19	1	24	Fl. 139
NEDLLOYD P	Fl. 120	227	1.50	19	6.80	-	-	Fl. 139
NAT.NED. C	Fl. 60	52	0.10	34	1	100	2	Fl. 51.20
NAT.NED. P	Fl. 45	-	-	-	-	130	3	Fl. 51.20
PHILIPS C	Fl. 27.50	20	0.70	328	2.30	-	-	Fl. 27.40
PHILIPS P	Fl. 45	205	17.70	5	18.50	104	18.50	Fl. 27.40
ROYAL DUTCH C	Fl. 210	717	4	79	11.20	21	14	Fl. 211.60
ROYAL DUTCH P	Fl. 190	15	0.20 A	108	3.50	-	-	Fl. 211.60
ROBECO C	Fl. 85	35	1.50	10	5	-	-	Fl. 84.80
ROBECO P	Fl. 95	127	10.50	-	-	-	-	Fl. 84.80
UNILEVER C	Fl. 112	114	0.90	-	-	-	-	Fl. 108
UNILEVER P	Fl. 100	55	0.90	39	5.70	66	9.50	Fl. 108

TOTAL VOLUME IN CONTRACTS : 24,137

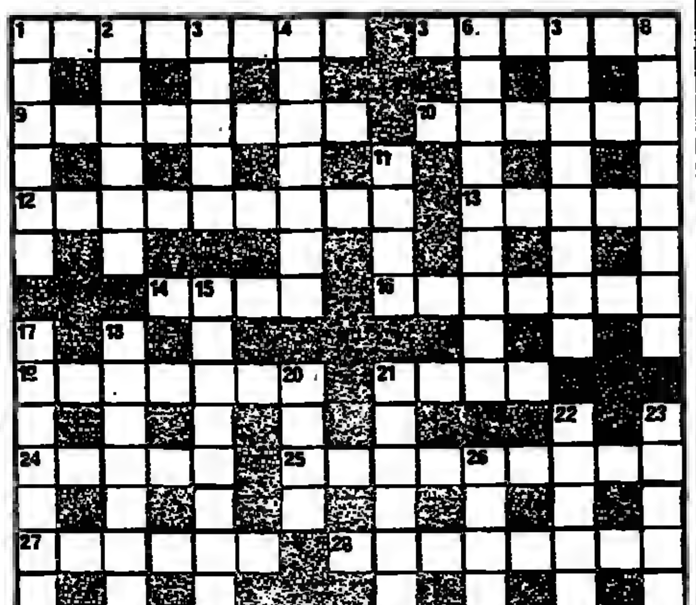
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	8½	● Charterhouse Bank	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	Citibank NA	8½	NatWestminster	8½
AAB - Allied Arab Bk.	9½	City Merchants Bank	8½	Northern Bank Ltd	8½
Allied Dunbar & Co	8½	Clydesdale Bank	8½	Norwich Gen. Trust	8½
Allied Irish Bank	8½	Comm.Bk.N East	8½	PK Finans. Intl(UK)	9
American Exp.Bk	8½	Consolidated Cred	8½	Provincial Trust Ltd	9½
Amro Bank	8½	Co-operative Bank	*8½	R. Raphael & Sons	8½
Henry Ansbacher	8½	Cyprus Popular Bk	8½	Roxburghe G'rantee	9½
ANZ Banking Group	8½	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Associates Cap Corp	10	Equatorial TstCo plc	8½	Royal Trust Bank	8½
Authority Bank	8½	Exeter Trust Ltd	9	Smith & Williams Secs.	8½
B & C Merchant Bank	8½	Financial & Gen. Sec.	9	Standard Chartered	8½
Banco de Bilbao	8½	First Nat. Sec. Ltd.	9½	TSB	8½
Bank Hapoalim	8½	● Robert Fleming & Co.	8½	UDT Mortgage Exp	♦10.2
Bank Leumi (UK)	8½	Robert Fraser & Ptnrs.	9½	United Bk of Kuwait	8½
Bank Credit & Comm.	8½	Girobank	8½	United Mizrahi Bank	8½
Bank of Cyprus	8½	Grindlays Bank	8½	Unity Trust Bank Plc	8½
Bank of Ireland	8½	● Guinness Mahon	8½	Western Trust	8½
Bank of India	8½	HFC Trust & Savings	8½	Westpac Bank Corp.	8½
Bank of Scotland	8½	● Hambros Bank	8½	Whiteaway Laidlaw	9
Banque Belge Ltd	8½	Heritable & Gen Inv Bk	8½	Yorkshire Bank	8½
Barclays Bank	8½	● Hill Samuel	§8½		
Benchmark Fst Ltd	8½	C. Hoare & Co.	8½		
Berliner Bank AG	8½	Hongkong & Shangh	8½		
Brit Bk of Mid East	8½	Lloyds Bank	8½		
● Brown Shipley	8½	Meghraj Bank Ltd	8½		
Business Mtge Tst	8½	Midland Bank	8½		
CL Bank Nederland	8½	● Morgan Grenfell	8½		
Central Capital	8½	Mount Credit Corp.	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ♦ Mortgage base rate. § Demand deposit 3.99%. Mortgage 10% - 10.25%

FT CROSSWORD No.6,524
SET BY GRIFFIN



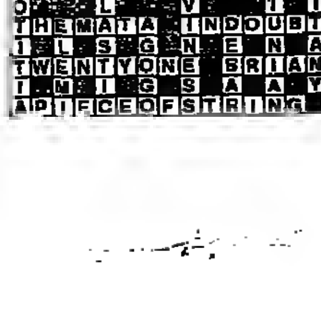
ACROSS

1 Another expression for bird food (8)
5 Water bed (6)
9 Touching way to call for retirement (8)
10 Poor Proust causes lethargy (6)
12 No one in Elsie's flat brought in morning coffee (9)
13 Bees could be after duck fat (5)
14 Centre forward in utter control (4)
16 Open because there's a sovereign inside (7)
19 Crowd turning round see 'SS Flower' (7)
21 When 50 falls in love as well (4)
24 Hold forth on alternative tea dances (5)
25 Padre can't convert hoofer (3-6)
27 Puzzling situation for Asian with a Ming collection (6)
28 Stupid lids men designed to go on music centre (8)
29 Compass obtained from marquee (6)
30 Make Steel cry in private (8)

DOWN

1 Starts picking up favourite doll (6)
2 Blather number and rank (6)
3 She upset Ernie (5)
4 Deny making profit with authority (7)
6 Leaving old Bob some expenses (9)
7 Sort of discussions held in a penthouse? (3-5)
8 Knocked off late (8)
11 Invites for a weekend on board (4)
15 The dhobi was the girl's husband (9)
17 Allowed in oboes curiously antiquated (8)
18 Cassius Clay in story about cavalier (8)
20 Dull sweetheart and friend (4)
21 Inform father about purchase (7)
22 Stress the engineer can't turn out (6)
23 Reliable tin-opener, brown (6)
26 Crawler turned up after time, looking embarrassed (5)

Solution to Puzzle No.6,523



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6773/4/5

Scimitar Global Gth Ac.	27.1	27.9	+0.4	—
Do. Income	26.9	27.7	+0.4	0.19
Scimitar European Acc.	21.6	23.0	+0.2	—
Do. Income	21.6	23.0xd	+0.2	0.11
Scimitar UK Eq Inc Acc.	36.4	38.4	+0.3	—
Do. Income	34.9	36.8	+0.3	5.36
UK Cap Gth Acc	22.8	24.1	+0.1	0.75
Scimitar Pac Tech Acc.	26.6	27.9	+0.4	—
Scimitar Mangd Exempt*	139.8	148.7xd	-0.1	—

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(a)
28 St Andrews Sq, Edinburgh 031-556 1052

Intnl Income Units	123.6	131.5	—	3.53
Intnl Accum Units	189.0	201.1	—	3.53
UK General Acc.	37.2	39.6	—	3.11
UK General Inc.	35.8	38.1	—	3.11
American	26.9	28.7	+0.1	0.64
European	33.8	36.2xd	+0.2	0.94
Japan	50.8	54.3	—	—
Technology	34.7	37.1	+0.3	1.42
Performance Trusts				
Far East Perf Tst	16.7	17.4	—	0.64
High Inc Perf Tst Inc.	23.7	25.1	—	5.37
High Inc Perf Tst Acc	24.1	25.6	—	5.37
Worldwide Tech Perf Tst	26.8	28.7	+0.1	—

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	207.5	222.0	+1.0	2.71
Columbus (America)	125.5	134.3	+0.6	1.29
Marco Polo (Pacific)	194.6	208.2	-1.0	0.37
Da Vinci (European)	210.0	224.6	+1.9	1.85
Drake	49.5	53.0	—	2.94

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	190.9	211.7	+0.6	3.01
UK Smllr. Cos. Equity	200.5	213.4	+1.4	2.40

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Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4985

TUUT Jan 04 88	208.1	222.7	—	3.27

Triton Fd Mngrs. Ltd.
Royal Lda. Hse. Colchester CO1 1RK 0206 764400

Triton General	138.7	144.2	+0.71	1.65

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3399

Convertible & Gilt	57.7	62.2xd	+0.1	6.49
Accum Units	58.7	62.3	+0.1	—
Income	79.1	83.9	—	3.74
Accum Units	79.1	83.9	—	—
Smaller Co's	85.8	90.1	+0.4	1.40
Accum Units	85.8	90.1	+0.4	—
UK Growth	87.4	92.6	—	1.46
Accum Units	87.4	92.6	—	—

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40965

British Growth Fd	56.3	59.9	+1.0	1.25
Technical Analysis Fd.	50.4	53.7	-0.1	1.86

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisors: Henderson Crosthwaite Ltd

Friars Hse Cap Fd.	166.7	177.3xd	—	1.71
Friars Hse Inc Fd.	145.4	155.0xd	—	3.42

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

United Charities	165.6	177.2	-0.1	4.31

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Adelphi Rth Accts	160.7	171.0	—	2.49
(Accum Units)	163.8	174.3	—	—
Far East & Gen.	49.4	52.4	-0.1	0.19
(Accum Units)	49.4	52.4	-0.1	—
Master Portfolio	62.905	67.913	+0.472	3.02

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INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assoc.	364.4	383.6	—	—
Eb'r Ph. Eq.	314.7	334.4	—	—

Pension Plan Funds
Phoenix

UK Equity Acc.	161.9	170.4	+0.2	—
International Acc.	122.9	129.2	-0.1	—
Property Acc.	122.8	129.2	—	—
Fixed Interest Acc.	146.9	154.6	—	—
Money Acc.	134.9	141.9	+0.1	—
Bldg. Soc. Link Acc.	131.9	138.8	+0.1	—
Special Mngd. Acc.	142.2	149.6	+0.1	—

Phoenix/Framlington

Intnl. Growth Acc.	83.3	87.6	-3.0	—
Amer. & Gen. Acc.	75.1	79.0	-2.6	—
Capital Tst. Acc.	168.8	177.6	-1.1	—
Japan & Gen Acc.	162.1	170.6	+7.6	—
American Turn. Acc.	74.2	78.1	+2.3	—
Recovery Tst. Acc.	162.0	170.5	+4.1	—
Special Mngt Acc.	134.9	141.4	+2.7	—

Phoenix/GT

International Acc.	119.8	126.1	+2.8	—
US & General Acc.	90.3	95.0	+2.0	—
Amer Spec Sits Acc.	62.9	66.2	+1.3	—
Japan & General Acc.	156.2	164.4	+9.8	—
Far East & Gen. Acc.	127.1	134.4	+8.8	—
UK Capital Acc.	167.8	176.6	+1.0	—
European Acc.	127.2	133.8	+6.7	—
Special Mngt. Acc.	122.0	128.4	+2.4	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

Managed Fund	261.2	281.3	—	—
Man Pens Inc & Cap Fds.	343.1	361.2	—	—
Money Fund	110.7	116.6	—	—
Pens. Mngd Fd (Init)	84.2	88.1	—	—
Pens Mngd Fd (Acc)	93.8	98.8	—	—
Pens FT30 Fd (Init)	129.0	135.8	—	—
Pens FT30 Fd (Acc)	143.8	151.4	—	—
Pens O'seas MgFd(Init)	47.2	49.7	—	—
Pens O'seas MgFd(Acc)	52.6	55.4	—	—
Pens Fxd Int Fd (Init)	105.7	111.1	—	—
Pens Fxd Int Fd (Acc)	117.7	123.9	—	—
Pens Deposit Fd (Init)	100.3	105.9	—	—
Pens Deposit Fd (Acc)	112.0	117.9	—	—

Premium Life Assurance Co Ltd
Eastchester House, Haywards Heath 0444 458721

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Prutund

Managed Jan 6	192.1	200.2	+3.6	—

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd.	424.2	446.6	—	—
Equity Fd.	880.1	926.5	+1.6	—
Intnl. Fd.	296.1	311.7	+0.4	—
Fixed Int. Fd.	349.6	368.1	+0.4	—
Prop Fd.	299.8	315.6	—	—
Cash Fd.	232.6	244.9	—	—
Pacific Basin Fd.	156.1	164.4	+0.0	—
North American Fd.	120.5	126.9	-0.3	—
European Fd.	132.1	139.1	+0.7	—
Holborn Balanced Gwth Fd	—	—	—	—
Holborn Strategic Gwth Fd	—	—	—	—

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	451.4	475.7	+0.6	—
Equity	653.1	687.5	+1.6	—
Global Equity	184.1	193.8	+0.1	—
Fixed Interest	358.5	377.4	+0.3	—
Property	299.4	315.2	+0.1	—
Cash	136.8	144.0	+0.1	—
Index Linked Gilt	157.3	165.6	+0.2	—
Guaranteed	9.25	10.25	—	—
International Money	185.9	195.7	—	—
North American Fd	51.1	53.8	—	—
Japanese Fund	99.9	105.2	—	—
European Fund	70.9	74.7	—	—
Special Situations Fd	89.5	95.3	—	—
Communications Fund	76.6	80.7	—	—
Smaller Cos Fund	90.2	95.0	—	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Dec 23	£117.59	122.10	—	—
Equity Fund Dec 23	£125.98	129.82	—	—
Intntl Fund Dec 23	£19.54	20.19	—	—
Intl Bond Fd Dec 23	£10.04	10.18	—	—
Fixed Int Dec 23	£64.64	65.41	—	—
Index Linked Dec 23	£48.27	48.67	—	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
[illegible]	97⅞	Treas 7¾pc 1985–88‡‡	99⅞xd		[illegible]	9.06
[illegible]	99⅛	Exch 10½pc '88	100⅛	–⅛	[illegible]	8.86
[illegible]	98⅝	Treas 9¾pc Cv '88	100½	–⅛	[illegible]	8.98
[illegible]	95¼	Transport 3pc '78–88	98⅛		[illegible]	6.57
[illegible]	98¼	Treas. 9½pc '88	100⅛	–⅛	[illegible]	9.14
[illegible]	101⅛	Treas 11½pc 1989	102⅛		[illegible]	9.31
[illegible]	97⅞	Treas 9½pc Cnv 1989	100⅛	–⅛	[illegible]	9.23
[illegible]	89¼	Treas 3pc 1989	95⅝		[illegible]	6.53
[illegible]	99⅝	Treas 10½pc 1989	101½		[illegible]	9.36
[illegible]	98½	Exch 10pc 1989	100⅞xd		[illegible]	9.36
[illegible]	100¼	Exch 11pc 1989	102¼	–⅛	[illegible]	9.42
[illegible]	89⅞	Treas 5pc 1986–89	95⅛	–⅛	[illegible]	7.82
[illegible]	99⅞	Exch 10¼pcCv '89	102⅝	–⅛	10.02	8.86
111⅛	104⅛	Treas 13pc 1990‡‡	106⅝xd	+⅛	12.20	9.33
106⅛	100⅞	Exch 11pc 1990‡‡	103⅛xd		10.67	9.36
110⅛	109⅞	Exch. 12¼pc 1990	106⅛		11.78	9.37
92⅞	84½	Treas. 3pc 1990	91¼	–⅛	3.28	7.05
100⅛	93⅞	Treas 8¼pc 1987–90‡‡	99	–⅛	8.33	8.70
52⅛	50	Tr. 8pc Cv 1990 (50pd)	50⅞	+⅛	8.16	8.90
105	97½	Treas. 10pcCv 1990	101⅞		9.85	9.36
91⅛	81⅛	Exch 2½pc 1990	88⅝	–⅛	2.82	6.88
110⅛	102⅞	Treas 11¾pc 1991	106⅛xd		11.07	9.36
95⅛	87¼	Funding 5¾pc '87–91‡‡	93		6.18	8.25
90⅛	80½	Treas. 3pc 1991	87⅛	–⅛	3.43	7.14
[illegible]	98½	Treas 10pc Cv '91 ‡‡	102⅞xd	–⅛	[illegible]	9.05
[illegible]	101⅛	Exch. 11pc 1991	105⅛	+⅛	[illegible]	9.36
99	91⅞	Treas. 8pc 1991	95⅝	+⅛	[illegible]	9.27
[illegible]	107⅛	Treas 12¾pc 1992‡‡	110⅞xd	–⅛	[illegible]	9.44
[illegible]	97⅞	Treas 10pc 1992	101⅝	+⅛	[illegible]	9.43
[illegible]	90⅞	Treas. 8pc 1992 ‡‡	95⅝		[illegible]	9.28
[illegible]	99½	Treas 10½pc Cv 1992‡‡	103⅝	+⅛	[illegible]	9.43
[illegible]	79⅛	Treas. 3pc 1992	84⅝		[illegible]	7.27
[illegible]	105⅞	Exch. 12¼pc '92	109⅞	+⅛	[illegible]	9.57
[illegible]	110⅞	Exch 13½pc 1992	114⅛		[illegible]	9.62
		Five to Fifteen Years				
107⅞	97⅞	Treas 10pc 1993‡‡	101⅞	+⅛	[illegible]	9.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.65

BRITISH FUNDS – Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

Over Fifteen Years

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21	Rep NY Corpn $5	24½	......	$1.16	–	2.6
18¾	8⅞	Rockwell Intl. $1	10⅞	–⅛	65c	–	3.6
30½	16¾	Sara Lee $1.33 ⅓	20 xd	–¼	$1.00	–	2.7
11½	9⅝	Saul (B. F.) $1	9⅞	......	20c	–	1.2
27¾	21⅞	Southwestern Bell $1	19⅞	+⅛	$2.32	–	6.6
[illegible]	9⅝	Staley Continental	11¾	–⅛	80c	–	3.7
41⅞	21⅞	Sun Co. Inc. $1	28⅛	+⅛	$3.00	–	5.7
42⅝	22⅝	TRW Inc. $0.625	27 xd	+⅛	$1.60	–	3.2
37⅞	21	Tenneco $5	24½ xd	–1⅛	$3.04	–	6.7
220	139	Do. 10% Ln. 91–5	155 xd	......	10%	–	6.7
29⅞	17⅞	Texaco $6.25	21 xd	+⅛	$3.00	–	7.8
74½	36½	Time Inc. $1	47¾ xd	+⅛	$1.00	–	1.2
26⅞	11	Tracor $0.33⅓	17½ xd	......	40c	–	1.3
30⅞	15	Transamerica $1	17⅞ xd	+¼	$1.84	–	5.7
14⅞	1¼	Transworld Corp $5	896p	+52	20c	–	1.2
27⅞	12⅝	TRINOVA Corp	17⅞	–⅛	56c	–	1.8
[illegible]	13⅞	USX $1	18	+½	$1.20	–	3.7
37⅞	15¼	Utd. Technologies	20½ xd	+⅛	$1.40	–	3.8
38⅞	25⅞	US West	28½	+½	$3.28	–	6.3
30½	17⅞	Waste Management $1	21¼	+⅛	–	–	–
31⅞	11⅞	Whirlpool $1.0	14½	+⅛	–	–	–
37⅞	16⅞	Woolworth $3½	20¾	+½	$1.32	–	3.5

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES — Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● Tap Stock
- ● Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs ●● *Yield based on* assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986–87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; aR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	
Craig & Rose £1	588	
Finlay Pkg. 5p	30	
Holt (Jos) 25p	£11½	

IRISH

Fund 11¾% 1988	£100⅝	
Nat. 9¾% 84/89	£99⅞	+⅛
Fin. 13% 97/02	£113⅛	

Arnotts	305	
CPI Hldgs.	70	+18
Carroll Inds.	140	
Dublin Gas	40.#	
Hall (R. & H.)	105	
Heiton Hldgs.	44	
Irish Ropes	115	−43½
Unidare	250	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied–Lyons	42
Amstrad	20
BAT	37
BOC Grp.	46
BSR	13
BTR	33
Barclays	52
Beecham	52
Blue Circle	44
Boots	20
Bowaters	41
Brit Aerospace	42
Brit. Telecom	23
Burton Ord	32
Cadburys	30
Charter Cons.	41
Comm Union	40
Courtaulds	42
FKI Babcock	14
FNFC	31
Gen Accident	105
GEC	22
Glaxo	155
Grand Met	50
GUS 'A'	150
Guardian	110
GKN	36
Hanson	19
Hawker Sidd	55
ICI	145
Jaguar	42
Ladbroke	40
Legal & Gen	33
Lex Service	35
Lloyds Bank	30
Lucas Inds	62
Marks & Spencer	24
Midland Bk	47
Morgan Grenfell	37
NEI	13
Nat West Bk	67
P & O Dfd	65
Plessey	20
Polly Peck	36
Racal Elect	30
RHM	40
Rank Org Ord	65
Reed Intnl	50
STC	29
Sears	13
TI	35
TSB	16
Tesco	22
Thorn EMI	64
Trust Houses	28
T&N	22
Unilever	62
Vickers	22
Wellcome	47
Property	
Brit Land	32
Land Securities	55
MEPC	54
Peachey	47
Oils	
Brit Petroleum	33
Britoil	28
Burmah Oil	52
Charterhall	7
Premier	10
Shell	135
Tricentrol	13
Ultramar	24
Mines	
Cons Gold	125
Lonrho	29
RTZ	48

A selection of Options traded is given on the London Stock Exchange Report Page

Equities steady despite loss of early gains while Gilt-edged move erratically

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Dec 21	Jan 7	Jan 8	Jan 18
Jan 11	Jan 21	Jan 22	Feb 1
Jan 25	Feb 4	Feb 5	Feb 15

*New time dealings may take place from 9.00 am two business days earlier.

THE UK STOCK market stood up successfully to yesterday's less convincing performance from the US dollar, and although early gains in share prices were abandoned when Wall Street opened lower, London equity traders remained confident of the near-term investment outlook.

The UK institutions continued to show selective interest and there was ready support for a rash of special situations which ranged across the energy, pharmaceutical and engineering sectors.

The extended Christmas equity trading Account, which ends today, has offered modest profits for those nimble-footed enough to seize them. Professional investors were inclined to take their gains yesterday and to look for a further advance in the market during the early part of this year.

The FT-SE 100 was 15 points ahead at mid-session, boosted by activity in such leading constituents as **British Gas, British Aerospace, Shell** and **Beecham.** Support waned later when Wall Street came in more than 20 points down and market indices moved on the downside for a while before steadying in the final hour.

At 1787.2, the FT-SE 100 Index ended with a net gain of just 0.1 points, and the City went home feeling satisfied with the trading session. "I should forget today", said one trader. "There was never any volume of selling, and London stood up very well against the early fall on Wall Street."

Equity market analysts remain optimistic for 1988, with many expecting to see a recovery to the FT-SE 1850-1900 range in the early part of the year. Shearson Lehman Securities, in its annual survey of stock market opinion, reports an "average expectation" of a Footsie at 1843.9 at the next December year-end, reflecting City expectations of a stable year for the UK economy despite the likelihood of higher base rates of 9¼ per cent by the end of this year.

The British Government bond market faced a slightly tense session, with the London International Financial Futures (LIFFE) market commencing trading in its new Medium Gilts Futures contract, timed intentionally to coincide with the run-up to next Wednesday's auction by the UK Treasury of £1bn of 1997 – medium dated – stock.

Backed by a good start for the LIFFE contract, which attracted some "real business", to quote bond dealers, medium dated Gilts jumped by ⅜ at first, in a somewhat technical rebound from recent weakness.

But the whole of the Gilt-edged sector turned off at the end of the day, and mediums reacted to close with net falls of ⅛ in some fairly determined selling.

The long dates, also firm in early trading, ended with minor falls, while the shorts were softer throughout the session as a steadier pound discouraged prospects for further slackening in UK interest rates.

Investment Trusts attracted a fair weight of institutional money for the second consecutive day, as the market took the view that many stocks are still standing at too large a discount to their net asset values. The recent surge in both UK and US securities, allied to the benefits of a steadier dollar, has encouraged fund managers to take a more positive view of the sector.

Most leading UK issues were bought and often recorded fresh gains before reacting with the equity market in general. But considerable buying interest was also directed at trusts with a European flavour, and **Gartmore European** rose 8 to 255p.

British Gas shares spiralled upwards to close a net 9½ higher at 142½p, after 144p, following a turnover of 36m shares, with heavy buying triggered initially by rumours – later officially denied – that Gas were about to announce an assets swap with Shell that would give Shell a near 15 per cent stake in Gas. Also fuelling the upturn in Gas was large-scale covering of heavy traded options business, buying of Gas ADR's in New York overnight and stories that a leading securities house had recommended a switch out of Burmah and Calor into Gas. In addition two other top UK houses, Wood Mackenzie and BZW have recently taken a more positive view of Gas' prospects. **Shell** moved up 17 to 1085p. **Burmah** dropped 6 to 445p and **Calor** 8 to 465p.

The rest of the oil and gas market remained in the limelight despite a 30 cents a barrel decline in crude oil prices. Talk of an imminent favourable International Energy Agency report on world oil demand triggered widespread buying of oil shares. **BP** were again boosted by heavy buying of the partly-paid "new" shares as well as sustained institutional demand for the "old". The "new", where the Kuwait Investment Office continued to amass shares, touched 80p before closing a net 3½ up at 79½p with turnover totalling 46m. BP old rose 4 more to 268p on turnover of 10m shares.

Britoil enjoyed an increased turnover that exceeded 6.5m shares as Atlantic Richfield picked up further large parcels of shares to add to its 22.24 per-cent stake which comprises some 112.17m shares.

Other oil shares made rapid progress, especially **Tricentrol** which jumped 10½ to 171p, after 174p with the market braced for an increased offer from French group Elf which could only attract acceptances of 0.3 per cent for its 145p a share offer; turnover in Tricentrol yesterday totalled 2.8m shares.

Bid speculation fuelled a 6½ jump to 279p in **Enterprise Oil** – guarded by a Government "golden share", as is Britoil. **Clyde,** also boosted by bid talk, edged up 2½ to 120p, Goal 4½ to 86p.

Ultramar traded quietly for much of the session but sprang to life late in the day to close 15 higher at 199p amid bid speculation.

Plessey, a strong performer in recent days, edged up 3 more to 167p on a turnover of 3.7m as Brian Newman of Chase Manhattan Securities reiterated his recommendation for Chase clients to switch into the shares from **Racal;** the latter dipped 9 to 225p with 6.6m shares moving through the system, including a single trade of 1.4m shares at 229p a share.

The two companies, Newman says, have similar earnings per share, but a substantial price differential. Newman also says that he expects analysts to reduce their full-year profits estimates for Racal after their interim figures are published on January 26.

Glaxo, ⅛ easier at £10⅛, reacted to a review by Morgan Grenfell (MG) of the development of the future role of 5-HT-Related drugs in treatment of mental illness.

MG believes that **Beecham** will benefit most from 5-HT-related products in the near term and isdowngrading its sales estimates for Glaxo's equivalent drug, GR-32802. Beecham, up 3½ at 473p, also benefited from approval from the US Food and Drug Administration for Bactroban, its skin drug.

British Aerospace took the limelight in early dealings, moving ahead strongly to 366p before settling to close a net 11 higher at 357p amid rumours that GEC was attempting to build a stake. Some 6.7m shares changed hands, but GEC maintained their tradition of refusing comment on market rumours.

Among several UK investment houses releasing "buy" circulars on BAe, Wood Mackenzie said that the shares, supported by a high yield and solid asset backing, could be re-rated after losses for 1987 are balanced by prospects of strong recovery in 1988.

Cookson shares steadied from Wednesday's unease as some 16.1m shares were successfully placed with UK Institutions at 520p apiece on behalf of Imetal SA of France.

Cookson closed 5 lower 529p, after touching 527p at one stage. Late on Wednesday, the market was alive with speculation that a large shareholding was on offer but the speculation is thought to have prompted the postponement of the issue at the eleventh hour.

The insurance sector was mixed. In lifes, **Pearl** lost 12 more to 443p on widespread profit-taking prompted by reports that Larry Adler's FAI group is not going to increase its 5.43 per cent stake in the company in the near future.

Royal Insurance came under sustained selling pressure after the profits downgradings by UBS Phillips and Drew and BZW, and the shares dropped 23 to 400p after a turnover that topped 3.2m.

In brokers **PWS** raced up 22 to 210p, after 230p, reflecting persistent small buying in a thin market. **Willis Faber** hardened to 238p despite the latest staff departure and talk that further defections are likely.

Takare, the nursing homes group, made a spectacular Third Market debut; The shares placed at 165p, immediately registered a premium of some 30 per cent, opening at 202p and advancing strongly in the absence of any selling to close at 220p.

Matthew Brown soared on news that **Scottish & Newcastle** was to compulsory purchase the outstanding minority shareholding, having acquired over 90 per cent of the Matthew Brown equity through its offer. The same terms of 750p cash, or a three-for-one exchange of shares, will be made available to shareholders. Matthew Brown closed 92 higher at 725p and Scottish & Newcastle ended 2 off at 207p. The Brewery sector otherwise lacked colour and **Whitbread** "A" slipped back 7 to 283p while **Guinness** reacted 4 to 297p. A report which cast doubts on takeover speculation brought **Greenall Whitley** back 5 to 203p.

Profit-taking developed in the Chemical sector. **Laporte,** which enjoyed a good run on Tuesday, came back 16 to 408p, while **Coalite** eased 5 to 310p. **Rentokil** slipped 4 to 189p, but **Sutcliffe Speakman** attracted fresh support at 142p, up 6. **Ellis and Everard** improved a couple of pence to 167p following Press comment.

Top name stores rallied well after the losses prompted recently by numerous profits downgradings. **Dixons,** badly hit by the re-ratings, were particularly in demand and moved up 10 to 212p, after 214p, on a turnover of more than 4.5m shares with the fall said to have been overdone; Dixons interims are scheduled for January 13.

Burton Group added 4 at 229p after selling its manufacturing division – "the cycle of selling pressure in Burton seems to have finished" a leading dealer said.

WH Smith "A" after Citicorp Scrimgeour Vickers were said to have downgraded their profits estimates in the light of the company's loss of business from the News International distribution franchising. **Woolworths,** 10 off at 252p, were upset by rumours that it is about to bid for Dixons. **Tip Top Drugstores,** involved in bid discussions, jumped 20 to 130p.

Many of the leading electrical issues made good progress – **STC** remained on brokers buying lists and moved up 7 to 252p, while **Amstrad** added 4 at 123p. **Thorn EMI** rose 7 to 563p, while news of the Royal Navy contract – which could be worth some 520m according to analysts – boosted **Ferranti** 2 to 91p after a turnover that expanded substantially to 11m shares.

Enthusiastic Press comment on the proposed merger with **BBP** lifted the latter's shares 18 to 224p and those of **Burgess Group** by 13 to 278p.

Engineers closed with several noteworthy movements. **Victor Products** advanced 7 to 175p on the recommended share exchange offer from NEI.

Grand Metropolitan, which has raised its offer for Martell, the French cognac group, to 539fr, came under selling pressure and settled 14½ down at 447½p. Hoare Govett were persistent sellers of the shares and 2.5m were traded. **Ladbroke** rallied strongly after the previous day's setback and closed 11 higher at 343p, after 348p, following news that the Office of Fair Trading is not contemplating referring the off-course bookmaking industry to the Monopolies Commission.

The major international were usually a few pence lower after a rather uninteresting trading session. **BOC,** however, were noteworthy for a fall of 10 at 418p as BZW, the securities house, changed its stance on the company's share rating from a "weak buy" to a "weak sell". **Reed International,** in contrast, featured a gain of 18 at 440p as rumours persisted of stakebuilding by Rupert Murdoch. However, the volume of trade at 1.4m shares was relatively low.

Elsewhere, **Sketchley** stood out with a rise of 17 to 372p in response to favourable Press mention, while **Beaverco** jumped 30 to 200p in the wake of the company's reassuring statement on its foam fillings product issued in the light of recent Press comment concerning house fires involving flamable furniture.

Leisure issues were selectively firm. **Stanley Leisure** attracted good support ahead of interim figures scheduled for January 19 and closed 25 higher at 235p. **Virgin Group** put on 7 to 117p following the chairman's optimistic statement at the annual meeting.

Record car sales – they passed the 2m-mark for the first time last year – failed to make much of an impact on the Motor sections. But commercial vehicle manufacturer **ERF** went higher again to close 17 up at 230p helped by a report that the Anglo-Dutch group Leyland DAF had achieved an undisclosed profit over the first nine months trading. Elsewhere, **Lex Service** weakened 13 to 277p.

Associated Newspapers reacted on initial disappointment with annual profits of around 557m, whereas some analysts had been looking for a figure as high as 563m. The shares dropped from 473p to 461p before settling 8 down on the day at 464p. **Maxwell Communication** lost 8 to 239p but smaller publishers prospered with **Trinity International** gaining 23 more to 713p. Among Papers, **Bunzl** ran into profit-taking and came back 7 to 179p but **Robert Horne** rose 10 further to 400p following comment on the good first-half results. Speculative inquiries raised **Ketson** 6 to 78p.

Citicorp Scrimgeour Vickers' Property review was responsible for several outstanding movements within the sector. Recommendations for the coming year included Rosehaugh, Stanhope and Wates City of London and the prices of all three responded accordingly. **Rosehaugh** advanced 50 to 590p, **Stanhope** rose 23 to 188p and **Wates** gained 6 to 177p. Elsewhere, **Countryside** responded to favourable comment with a rise of 10 at 226p; the annual results are due next Tuesday.

Fund management group **Mercury Asset** were one of the few noteworthy movements among miscellaneous financials, advancing 15 to 530p.

The Traded option sector highlighted **British Gas** which attracted 13,005 calls and 3,067 puts. The dramatic expansion in business, particularly in the January 135 calls, was initially fuelled by rumours that Shell was building a stake, however later reports suggested that a couple of leading brokers had recommended the stock to clients. BP attracted 1,506 calls and 276 puts. The **FTSE** contract registered 1,220 calls and 1,490 puts. The total number of contracts came out at 39,435, comprising 29,209 calls and 10,226 puts.

Traditional Options

- First dealings Jan 4
- Last dealings Jan 15
- Last declarations Apr 15
- For Settlement Apr 18

For rate indications see end of London Share Service

Stocks dealt in for the call included **Eagle Trust, Charterhall, British Petroleum partly-paid, Raglan, London and Manchester, Aran Energy, Atlantic Resources, Polly Peck, Benjamin Priest, Oliver Resources, Sears, C. Baynes** and **Conrad Holdings.**

FINANCIAL TIMES STOCK INDICES

	Jan. 7	Jan. 6	Jan. 5	Jan. 4	Dec. 31	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	87.82	87.76	88.37	88.47	88.49	85.21	93.32 (8/5/87)	85.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.23	94.39	94.72	94.61	95.07	91.29	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1434.5	1438.0	1437.1	1402.0	1373.3	1372.5	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	312.5	299.3	295.9	298.9	302.1	319.6	497.5 (14/8/87)	261.5 (6/11/87)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.34	4.32	4.33	4.44	4.53	4.17				
Earnings Yld. % (full)	10.84	10.82	10.84	11.10	11.33	9.88				
P/E Ratio (net)(*)	11.31	11.33	11.31	11.04	10.82	12.43				
SEAQ Bargains (5pm)	27,442	29,026	27,878	17,944	15,800	46,183				
Equity Turnover (£m)	-	1334.73	1022.55	648.38	431.74	1338.87				
Equity Bargains	-	31,399	29,000	17,165	16,723	50,475				
Shares Traded (ml)	-	564.4	414.8	246.0	214.0	715.5				

S.E. ACTIVITY

Indices	Jan. 6	Jan. 5
Gilt Edged Bargains	107.6	107.3
Equity Bargains	223.4	181.4
Equity Value	2697.8	2066.8
5-Day average		
Gilt Edged Bargains	84.3	75.0
Equity Bargains	144.1	127.9
Equity Value	1621.6	1379.3

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1439.2	1445.8	1444.6	1446.2	1440.7	1436.1	1430.5	1434.4

Day's High 1447.7 Day's low 1430.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=11.19.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (6). BRITISH FUNDS (1) Treas. 8pc. B 1988, AMERICANS (1) Premark Ind., BUILDINGS (1) Gibbs & Dandy, ELECTRICALS (1) Electronic Rentals, HOTELS (1) Savoy "A", INDUSTRIALS (1) Cosalt.

NEW LOWS (12). CANADIANS (1) American Lightwave, STORES (1) [illegible], ELECTRICALS (1) [illegible], FOODS (1) England (J.), INDUSTRIALS (1) [illegible], PROPERTY (1) Wood (J.D.), TRUSTS (1) [illegible], MINES (3) [illegible] Gold Mining Areas, GM Kalgoorlie, Nor Quest Resources.

Figures for London traded options were not available for this edition

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section — Thursday January 7 1988

	Group	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Jan 6 Index No.	Tue Jan 5 Index No.	Mon Jan 4 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	749.24	+0.2	9.56	3.85	13.32	0.00	747.78	744.96	726.52	728.92
2	Building Materials (30)	[illegible]									
3	Contracting, Construction (33)	[illegible]									
4	Electricals (13)	[illegible]									
5	Electronics (32)	[illegible]									
6	Mechanical Engineering (57)	[illegible]									
8	Metals and Metal Forming (7)	[illegible]									
9	Motors (13)	[illegible]									
10	Other Industrial Materials (24)	[illegible]									
21	CONSUMER GROUP (184)	[illegible]									
22	Brewers and Distillers (21)	[illegible]									
25	Food Manufacturing (23)	[illegible]									
26	Food Retailing (16)	[illegible]									
27	Health and Household Products (10)	[illegible]									
29	Leisure (31)	[illegible]									
31	Packaging & Paper (16)	[illegible]									
32	Publishing & Printing (15)	[illegible]									
34	Stores (35)	[illegible]									
35	Textiles (17)	[illegible]									
40	OTHER GROUPS (92)	[illegible]									
41	Agencies (19)	[illegible]									
42	Chemicals (20)	[illegible]									
43	Conglomerates (13)	[illegible]									
45	Shipping and Transport (11)	[illegible]									
47	Telephone Networks (2)	[illegible]									
48	Miscellaneous (27)	[illegible]									
49	INDUSTRIAL GROUP (485)	[illegible]									
51	Oil & Gas (15)	[illegible]									
59	500 SHARE INDEX (500)	[illegible]									
61	FINANCIAL GROUP (124)	[illegible]									
62	Banks (8)	[illegible]									
65	Insurance (Life) (8)	[illegible]									
66	Insurance (Composite) (7)	[illegible]									
67	Insurance (Brokers) (8)	[illegible]									
68	Merchant Banks (11)	[illegible]									
69	Property (52)	[illegible]									
70	Other Financial (30)	[illegible]									
71	Investment Trusts (96)	[illegible]									
81	Mining Finance (2)	[illegible]									
91	Overseas Traders (8)	[illegible]									
99	ALL-SHARE INDEX (730)	[illegible]									
	FT-SE 100 SHARE INDEX ♦	1787.2	+0.1								

FIXED INTEREST

	PRICE INDICES	Thu Jan 7	Day's change %	Wed Jan 6	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	122.73	+0.01	122.72	-	[illegible]
2	5-15 years	137.38	+0.15	137.18	-	[illegible]
3	Over 15 years	144.99	-0.05	145.06	-	[illegible]
4	Irredeemables	158.95	+0.16	158.70	-	[illegible]
5	All stocks	134.75	+0.07	134.65	-	[illegible]
	Index-Linked					
6	5 years	123.73	-0.10	123.85	-	[illegible]
7	Over 5 years	113.64	-0.06	113.71	-	[illegible]
8	All stocks	114.31	-0.06	114.38	-	[illegible]
9	Debentures & Loans	116.25	+0.04	116.11	-	[illegible]
10	Preference	84.69	+0.21	84.51	-	[illegible]

AVERAGE GROSS REDEMPTION YIELDS — [illegible]

Opening Index 1791.2; 10 am 1800.0; 11 am 1800.7; Noon 1802.5; 1 pm 1797.1; 2 pm 1789.9; 3 pm 1785.4; 3.30 pm 1787.7; 4 pm 1788.6

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	83	15	18
Corporations, Dominion and Foreign Bonds	10	7	35
Industrials	490	415	671
Financial and Properties	215	132	291
Oils	44	22	54
Plantations	2	2	12
Mines	70	47	79
Others	114	47	91
Totals	1,016	688	1,251

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NETHERLANDS (continued)

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

AUSTRALIA

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices January 7

Sales	Stock	High	Low	Close	Chng
[illegible]					
30275	Ulster P	235	225	235	+10
300	Un Carbid	$10	15¾	10	
2400	U Entprise	$9	8⅞	8⅞	−⅛
278	Un Corp	$41	41	41	
300	Vestgron	330	295	330	
6510	Vulcan Ind	235	220	235	+15
300	Wajax A	$11	11	11	+¼
7699	Wcoast T	$16¾	16¾	16¾	−⅛
3300	Westmin	$9⅝	8⅛	9⅛	
2000	Weston	$33¼	32¾	33	−¼
524	Woodwd A	485	480	480	−5

I—No voting rights or restricted voting rights.

MONTREAL
Closing prices January 7

Sales	Stock	High	Low	Close	Chng
66294	Bank Mont	$27¼	26⅞	27¼	+⅛
8510	BombrdrA	$08½	08	08	
96900	BombrdrB	$08¼	07⅞	08	−¼
37290	CB Pak	$16⅞	16¼	16⅜	−½
30972	Cascades	$07	06¾	06⅞	−⅛
50	CIL	$27¾	27¾	27¾	
21160	ConBath	$19	15¾	16⅞	
11453	DomTxtA	$16¾	16½	16½	−⅛
3900	MntTrst	$12¾	12⅝	12¾	
200363	NatBk Cda	$11¼	10⅞	11⅛	−⅛
24715	Noverco	$11⅛	11¼	11¼	−⅛
37930	Power Corp	$14¼	14	14¼	
67337	Provigo	$09½	08	09¼	+⅜
11500	Repap Entr	$13	12	12⅞	−¼
32682	Royal Bank	$29	28¾	28	−⅛
14875	SteinbrgA	$31½	29	31½	+3¼
6485	Videotron	$09½	09⅛	09⅛	−⅛

Total Sales 6,116,574 shares

OVER-THE-COUNTER
Nasdaq national market, closing prices

Continued from Page 33

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					
RPMs .56	19 752	14¾	14¼	14¼	−⅛
RadSys.05e	18 200	9⅝	9	9⅛	−⅛
Reeves	16 357	7½	7¼	7¼	+⅛
RgcyCr	5 624	1⅝	1 9-16	1⅝	
RgcyEl .20	26 79	3⅞	3¾	3⅞	+⅛
Regina	17 27	10	16	16	−⅛
RegiBc .08e	7 87	13	12¾	13	+¼
Replgn	934	11¼	9¼	11¼	+1⅜
RepAm .24	11 292	15⅛	14¾	15	+⅛
ReutrH .96e	1165	58⅞	57⅞	58¾	
Rexon	18 45	6½	6¼	6½	
SimAir	11 98	0	7⅞	8	+¼
Sizler	18 95	17	16¼	17	+½
SmithF	12 242	24	23½	23½	−¼
Societys 1.20	9 54	33¼	32¾	32¾	−¼
SoctySv .36	6 1029	16¼	15½	15⅝	+⅛
SoftwA	12 66	8⅛	0¼	8½	+⅛
SftwPb	14 114	6⅞	6⅛	9⅞	+1⅛
SonocPs .52	15 356	22⅝	22	22¼	+¼
Sonora	197	6⅛	5 13-16	6⅛	+3-10
SCarNt .56	9 31	19⅝	19½	19⅝	−⅛
Sounet	79 400	13½	13	13⅛	
SohldSv	404	17¾	17⅛	17⅝	+¼
USTs .52	11 15	20½	19⅞	20	+⅛
UTL	11 127	7¾	7⅝	7¾	+⅛
Ungmn	24 2330	8⅞	7⅝	0⅛	+¼
Unifi	11 470	18⅛	17¾	18⅛	
UnPlntr .60	40 61	24	23¼	24	+1
UnSpIC	16 0	19¾	19½	19½	−⅞
UACm .04	215 329	25¾	25¼	25¾	+¾
UBCol	25 833	15⅝	14¾	15⅝	+⅞
UnCosF .55	7 4	17½	17½	17½	+¼
UHltCr	543	3⅜	3½	3¾	
UtdSvrs .72	4 175	13¾	13¼	13¾	+⅛
Wyman .80	278	14¾	14	14¾	
Wyse	14 1720	23¾	23	23½	−⅛
KOMA	1575	15	12½	15	+2
Xicor	129 1189	6	0½	6	+⅜
Xidex	2045	7⅛	6⅞	7	
Xylogic	10 38	11⅛	10¾	10¾	−⅛
Xyvsn	16 348	7¼	7	7	
YlowFs .62	21 724	29⅝	29⅛	29⅝	+⅛
ZionUt 1.44	40	25¾	24¾	25¾	+½
Zondvn	156	0¼	8⅞	9	
Zycad	133	4⅛	3⅞	4⅛	

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Allied Textile	328	+	15
Beaverco	200	+	35
Brit. Aerospace	257	+	11
British Gas	142	+	9
Brown (Matthew)	725	+	92
Burgess Group	278	+	13
Dixons	212	+	10
E.R.F.	230	+	17
Ladbroke	343	+	11
PWS	210	+	22
RHP	219	+	13
Reed Intl.	440	+	18
Rosehaugh	590	+	50
Sketchley	372	+	17
Stanley Leisure	225	+	25
Tip Top Drugstores	130	+	20
Tricentrol	171	+	10½
Ultramar	159	+	15

FALLS

BOC Group	418	−	10
Glaxo	£10⅞	−	⅝
Grand Met.	447½	−	14½
Lex Service	277	−	13
Pearl Group	443	−	12
Royal Insurance	400	−	23
Smith (W.H.) A	313	−	10

TOKYO - Most Active Stocks
Thursday January 7 1988

	Stocks Traded	Closing Prices	Change on day
Sumitomo Heavy Ind	63.28m	520	+11
Kobe Steel	61.14m	308	+32
Sumitomo Chemical	60.55m	969	+51
Nippon Light Metal	44.82m	565	+34
Fujitsu	43.95m	1,470	−10
Hitachi Ltd	37.01m	1,300	−30
Nippon Steel	28.73m	392	−8
Yaskawa Electric	22.33m	654	+4
NEC	19.15m	2,130	−30
Ube Industries	16.16m	460	+52

Indices

NEW YORK — DOW JONES

	Jan. 6	Jan. 5	Jan. 4	Dec. 31	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
◆Industrials	2037.80	2031.50	2015.25	1938.83	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.28	87.17	86.92	86.69	95.51 (9/2/87)	80.26 (19/10/87)	—	—
Transport	783.86	780.29	773.43	748.86	1101.16 (14/8/87)	661.00 (4/12/87)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	184.80	183.56	180.36	175.08	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2058.19 (2075.27) Low 2012.77 (2021.39)

STANDARD AND POOR'S	Jan. 6	Jan. 5	Jan. 4	Dec. 31	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
Composite ‡	258.89	258.63	255.94	247.08	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	299.64	299.05	295.70	285.86	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	22.76	22.77	22.53	21.63	32.43 (25/8/87)	20.39 (7/12/87)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	144.82	144.54	142.90	138.23	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	275.00	271.77	264.74	260.35	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	346.72	344.87	338.48	330.47	455.26 (26/8/87)	291.90 (28/10/87)	455.26 (26/8/87)	54.87 (31/10/72)

TRADING ACTIVITY ‡ Volume

Millions	Jan. 6	Jan. 5	Jan. 4
New York	170.283	211.299	182.106
Amex	10.485	15.351	10.990
OTC	[illegible]	[illegible]	[illegible]

NEW YORK	Jan. 6	Jan. 5	Jan. 4
Issues Traded	1,961	1,965	1,967
Rises	935	1,283	1,584
Falls	661	395	190
Unchanged	365	287	193
New Highs	[illegible]	[illegible]	[illegible]
New Lows	[illegible]	[illegible]	[illegible]

CANADA

TORONTO

[illegible]

MONTREAL Portfolio [illegible]

NEW YORK ACTIVE STOCKS

[illegible]

[Indices table — AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FINLAND, FRANCE, GERMANY, HONG KONG, ITALY, JAPAN, NETHERLANDS, NORWAY, SINGAPORE, SOUTH AFRICA, SPAIN, SWEDEN, SWITZERLAND, WORLD: [illegible]]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.0	17	394	16⅞	16⅝	16⅞	
32½	19⅜	AFG s	.16	.6	9	931	26⅞	25¾	26⅛	+⅛
27	10½	AGS s			15	110	17½	16¾	17½	+⅛
10½	6¼	AMCA				26	7⅛	6⅞	7⅛	+⅛
9⅜	3¼	AM Intl			42	2975	5⅞	5¼	5⅞	+½
65½	26¾	AMR			10	4250	35⅞	34⅝	35⅝	−⅛
25	18	ANR pf	2.12	10.		1	20¾	20¾	20¾	+⅛
12¾	6⅜	ARX s			8	102	8⅛	7⅞	7¾	
73½	36⅜	ASA	2a	4.0		508	51¼	49⅝	49⅞	−1
22⅜	6½	AVX			19	270	15⅛	14¾	14⅞	+⅛
67	40	AbtLab	1	2.0	10	2702	49¾	48¼	49¼	−⅜
28	15⅜	Abitibi g				10	20⅞	20¾	20⅞	
16¾	6½	AcmeC	.40	5.2	16	19	12⅝	12⅜	12⅝	+⅛
10½	6½	AcmeE	.32b	5.0	28	15	6¼	6⅛	6⅛	−½
20	14⅛	AdaEx	3.44e	20.		245	17	16⅛	16⅞	+⅝
16½	6⅞	AdamM	.24	2.5	8	62	9¾	9⅜	9¾	+¼
24⅞	7½	AMD				3472	11	10⅝	11	+¼
56¾	29¼	AMD pf	5	6.0		240	33¼	33	33¼	
11⅞	4⅝	Adobe				186	6⅜	6	6⅜	+⅜
20½	16¼	Adob pf	1.84	11.		122	17⅛	17	17⅛	+⅛
15	6⅛	Advest	.12a	1.5	6	120	7⅞	7½	7¾	
68¼	43¾	AetnLf	2.76	5.5	6	5533	47⅝	46½	47¼	
63½	38	AfilPub	.40	.7	6	262	56	53¾	54	−1
26⅞	13	Ahmans	.88	5.4	7	1617	16¼	15½	16¼	+½

Continued on Page 33

NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
42¼	25½	PepsiCo66		2.0	16	4344	34½	33⅞	34½	+½
12¾	7⅞	PerkF 1.20e		11	15	115	10⅞	10⅝	10⅝	+⅛
41⅛	18½	PerkEl .60		2.3		2040	25⅝	25	25⅝	
8⅛	5⅛	Prmian .55e		9.0	13	336	6⅜	6⅛	6⅛	−⅛
10¼	6¾	PrLP pr1.75		12		330	8¾	8⅝	8¾	+¼
15⅞	5¼	PeryDr				368	6⅜	5⅞	6¼	
40	14¼	Petrie .20		1.1	13	3289	18½	16⅞	18½	+1
21¼	15¾	PtPer n 2		11	13	213	18¼	17¾	18⅛	+¼
33½	20½	PetRs 3.88e		17		134	23½	22¾	23⅛	+½
19¾	15	PetRs pf1.57		8.7		11	18½	18¼	18¼	+¼
2⅛	¾	Ptrlnv .18e		13		61	1¼	1⅛	1¼	+⅛
77	40	Pfizer 1.80		3.4	13	7909	53½	52	53½	
56	21¼	PhelpD .60		1.3	22	4273	45⅛	43⅞	44⅝	−⅛
74	37	PhlpD pf 3		5.0		1042	60½	58¼	60½	+⅛
26	16¾	PhilaEl2.20		11.	9	1443	19½	19⅛	19½	+¼
45½	34	PhE pfA3.80		9.4		z10	40½	40½	40½	
54	38	PhE pfD4.68		11		z650	43½	43	43	
97⅛	69	PhE pfG8.75		11.		z1180	78¼	76½	76½	−½
108	86	PhE pfS9.50		11.		z50	89½	89½	89½	
13¾	11	PhE pfR1.41		12.		9	12⅛	12⅛	12⅛	−¼
13	9⅞	PhE pfP1.33		12		56	11½	11⅜	11⅜	+⅛
85⅛	65⅞	PhE pfH7.85		11		z110	70	69	70	−½
12⅞	9¾	PhE pfO1.28		11		71	11½	11⅛	11½	+⅛
105	88	PhE pfL9.52		11.		z130	90	87¾	90	+4
103	79	PhE pfK9.50		11.		z58	108⅜	83	83¾	+1¼
88	64	PhE pfJ7.80		11		z900	70¾	70¾	70¾	−¼
15	12⅛	PhilSub .54		6.7	13	56	14⅛	13¾	14	

12 Month High	Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
31½	19⅛	XTRA	.64	2.5	17	175	25¾	24¼	25½	+1¼
28¼	19½	XTRA pf1.94		7.9		11	24½	24¼	24½	+½
33⅞	16¾	YorkIn			10	97	25	24½	24⅞	
7¼	2¼	Zapata				244	2⅛	2¾	2⅛	
27	13½	Zayre	.40	2.3	6	6740	17⅝	16⅝	17⅝	+½
16⅛	8¾	Zemex	.40	4.1	9	11	9¾	9⅝	9¾	
33⅝	10	ZenithE				874	16	15⅜	16	+½
13½	2½	ZenLab				438	3⅛	3	3	−¼
38¼	13½	ZenNtl	.80	4.9	6	66	16⅝	15¾	16⅜	+⅝
20⅝	11⅞	Zero	.36	2.3	15	11	15½	15¼	15½	
30¾	15	Zurnin s .68		3.1	14	363	21⅝	20¾	21⅝	+¾
10⅝	7⅝	Zweig 1.08e		12.		722	9⅝	9⅛	9⅜	+⅛

12 Month High	Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9⅞	5⅜	Senly .31e		4.5		224	6⅞	6⅝	6⅞	
55¼	31¼	SchrPl s1.20		2.3	20	3767	52½	51⅞	52⅝	−⅛
51	25	Schimb1.20		3.8		1141	33⅝	30¾	32	+⅞
11	5¾	Schwb n				776	6¾	6½	6¾	+⅛
20¼	8½	SciAtl .12		1.0	11	3019	12⅞	12	12⅝	+¾
87	55	ScottP 1.36		1.9	72	561	70⅞	70	70⅜	−⅜
15⅞	10	Scotlys .52		4.0	17	41	13½	13⅛	13⅛	−⅜
12	5¼	SeaCNA n				170	7½	7⅜	7⅜	−⅛
30½	12	SeaCnt .10e		.5	9	161	18¾	17¾	18⅜	+¼
14⅞	10½	SeaCt pf1.46		12.		4	12½	12½	12½	
17½	13⅛	SeaC pfB2.10		13		2	15⅝	15⅝	15⅝	−⅛

12 Month High	Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16	7	Turner s .38		4.2	10	469	8⅞	8⅞	8⅞	
23	15	TwinDs .70		3.2	18	1	22	22	22	
38⅞	15¾	TycoL s .24		1.0	24	315	24	23⅝	24	
15⅝	8¼	Tyler .44		3.5	17	106	11½	11⅛	11½	

U U U

12 Month High	Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅛	13¾	UDC	2.20	13	5	118	16½	16	16⅝	+⅝
32	21¾	UGI	2.04	7.8	11	45	26⅜	25¾	26⅛	+⅜
13¾	4½	UNCInc.01e		1	11	1178	7½	7⅛	7½	+⅜
31⅝	15⅜	UNUM .30e		1.6		790	19¼	18¾	18⅞	−⅛
48¾	26¼	USFG 2.46		7.9	7	2476	31½	31⅛	31½	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 31

FINANCIAL TIMES Friday January 8 1988

Markets recover early losses in dull trading

Wall Street

THE FATIGUE which undermined the equity market on Wednesday continued to make trading rather dull yesterday, *writes Janet Bush in New York.*

The dollar, which was almost exclusively been responsible for the sharp rise in share prices earlier this week, traded quietly in mid-range for most of yesterday before rising again in late business and helping both bonds and equities to reverse their morning losses.

As early as Tuesday, equity traders and economists were expressing concern about the sheer speed of the stock market rally on the back of the dollar, particularly as it did not seem to be based on genuine retail buying but rather on professional trading activity.

Yesterday's morning weakness was regarded as a predictable and necessary pause to the buying which would allow the market to consolidate and gain confidence.

The Dow Jones Industrial Average traded in negative territory for most of the session yesterday before recovering in late trading to end 14.09 points higher at 2,051.89.

The US bond market also reversed its trend in midsession, trading lower for most of the day before recovering towards the close. By the end of the session, the Treasury's benchmark 8.875 per cent 30-year issue had recovered from a ⅜ loss at midsession to end ½ point higher. Its yield had risen above 9 per cent earlier but then dropped below this key level to close at 8.94 per cent.

As the dramatically positive effect of the concerted and aggressive assault on dollar bears by central banks has worn off, so the bond market has started to switch focus to other factors.

There is concern that central banks may not be able to sustain the dollar at its new, higher levels without more intervention and may have to turn to adjusting interest rates. There is also concern that much of the positive effect on the dollar of the intervention was attributable to the shock value, given that markets had sunk into deep scepticism about the will of central banks to support the dollar.

The bond market is now looking more closely at other economic indicators. One source of concern is commodity prices which have been rising steadily all week. Another is today's release of the latest unemployment figures and, crucially, next week's release of US trade figures.

Merrill Lynch economists yesterday unveiled their economic forecast for 1988 which predicted a slight increase in inflation coupled with a continued deterioration in the dollar which would lead to higher interest rates later this year. Mr Robert Farrell, Merrill Lynch's chief market analyst, predicted that 1988 would be a year in which investors would be advised to pick stocks selectively and with an eye on timing of stock market swings.

The bond market was also suffering somewhat yesterday from an overhang of stock from Wednesday's Treasury auction of seven-year notes which attracted little retail demand.

Economic news yesterday featured reports by the leading retail store chains of their trading results for December, regarded as an important indicator of how consumer spending is holding up in the wake of last October's share price collapse.

The results suggested that consumer spending is continuing to slow down but December's trading results were not any worse, and if anything, slightly better than many analysts had expected.

The retail sector was a feature of trading yesterday. At midsession, retail stores were mostly moderately higher. F W Woolworth, which reported a 13.6 per cent rise in sales in December, rose $1 to $38½. Sears, which reported a rise of only 4.9 per cent, slipped $⅛ to $35 while May gained $1½ to $33⅝ after its report of a 10 per cent rise in sales. Dayton Hudson, which announced a 19.1 per cent gain, rose $2⅛ to $33½.

J C Penney, which reported an 8.6 per cent rise in sales last month, bucked the trend of the rest of the sector, falling $3⅛ to $43½.

Among blue chips which had risen particularly strongly at the beginning of this week, International Business Machines recovered from a $1⅛ loss at midsession to close $½ higher at $123¾. General Electric ended up $⅛ at $47⅛ and Procter and Gamble gained $1⅛ to $87⅛.

Tables listing the best and worst performing shares in 1987 appeared on this page on December 30. These tables referred to constituents of the FT-Actuaries World Indices and not to all quoted stocks within the given market. The FT-A World Indices cover at least 70 per cent of the value of equity available to international investors in constituent countries. The US index incorporates 589 stocks and the Japanese index 457 stocks.

Canada

TORONTO stocks, which showed losses earlier in the session, recovered to post a slight gain as the US dollar gained strength, traders said.

The composite index rose 7.44 points to 3269.90 as advanced declines by 520 to 361 on active volume of 24.1m shares.

Seagram rose C$1½ to C$58. Among other actives, Cominco was down C$⅜ to C$14⅛ and Bow Valley fell C$⅛ to C$15.

Energy stocks were higher. Shell Canada rose C$¼ to C$39⅛, Dome Petroleum added four to 98 cents and Texaco lost C$¼ to C$29⅞.

Andrew Baxter in London examines the changing fortunes of a small band of highly specialised investors

Drugs bid could give the 'arbs' a shot in the arm

THIS WEEK'S $4.2bn bid by Switzerland's F. Hoffmann-La Roche for Sterling Drug of the US has given an encouraging start to 1988 for Wall Street's depleted band of risk arbitrageurs after a stormy period that began with the Boesky insider trading scandal and culminated with last October's stock market crash.

Tuesday's $17¼ rise in Sterling's shares to $74¼, compared with the $72-a-share offer, suggested strongly that the "arbs" believe Roche may have to raise its bid, perhaps to fend off another suitor. That may not make pleasant reading in Basle, but it promises a potentially profitable situation for the risk arbitrageurs – who take a position in a target company after the initial announcement of a bid and hope that a deal emerges later at a higher price.

The bid may have wider implications too. At Oppenheimer & Co, the medium-sized US investment bank which has been in the risk arbitrage business for 14 years, Mr Tom O'Donnell and Mr Eric Rosenfeld, director of managed products and arbitrage manager, respectively, are confident that it heralds the start of a renewed buying spree in the US by European companies, attracted by the weakness of the dollar and low interest rates.

That would be a welcome shot in the arm for the arbs, many of whom were badly mauled in the crash. Arbs need a steady stream of suitable takeover bids to continue in business, and at present there are a number of reasons why a European bidder fits the bill exactly.

Arbitrageurs have always preferred to take stakes in companies which have received a bid from a prospective corporate purchaser, rather than an individual corporate raider such as Mr Carl Icahn or Mr James Goldsmith. If a company has a pressing strategic reason for making a bid, it may be more prepared to raise its price and clinch the deal than would a raider.

European companies, anyway, have a reputation for paying "top dollar" if they are determined to purchase a company, although few have the stomach for a messy, litigious and possibly protracted battle.

On the other hand, the payment of "greenmail" by a company to buy off a raider could be disastrous for the arb, whose shares might fall sharply, along with those of other shareholders, in the aftermath of a greenmail deal.

Fortunately for the arbs, greenmail is now largely discredited, but there are countless other reasons why takeover bids, whether hostile or agreed, fail to reach a deal. Anti-trust or legal problems, successful takeover defences, even a personality clash between the two chairmen can all scupper a deal – or delay it to such an extent that the returns on the arb's investment are no longer worthwhile.

Arbitrageurs need a steady stream of suitable takeover bids to stay in business and a European bidder fits the bill exactly

So the arb needs plenty of takeover situations from which to choose, and tries to spread his risk across several to minimise the impact of one breaking down. Mr Rosenfeld says Oppenheimer invests in one of every three situations that it looks at, with positions in anything from 10 to 50 companies at a time. Generally, a bid has to be worth $100m or more to merit consideration.

Mr O'Donnell notes that in 1987 UK acquisitions in the US had reached $25bn before October. "They were buying the Dow Jones at 2,700. Now it's 2,000 and the pound is up 10 per cent. If they loved us at 2,700, they're going to go crazy about us at 2,000."

For the same reasons – exchange and interest rate factors – Oppenheimer believes there has never been a better time for European investors to play the risk arbitrage game. But they also see the transformation in the business over the past 15 months, and especially since October 19, as a powerful attraction.

Before that, risk arbitrage had been a somewhat arcane activity, based originally on provisions of the 1967 Williams Act concerning tender offers. However, it was also the single most profitable activity on Wall Street for many years, said Mr O'Donnell, with rates of return exceeding 20 per cent.

Those profits depended to a large measure on the arbs' diligence in collecting information – from companies, lawyers and other observers – to assess the likelihood of a bid's success. Several years ago, Mr Rosenfeld even spoke to a gossip columnist in Troy, Michigan, who had gone to school with the wife of a target company's president. The columnist convinced him that the family would not sell at any price.

But the Ivan Boesky insider trading scandal, which broke in November 1986, revealed that some arbs were using inside information to help them make investment decisions. Risk arbitrage suddenly became a dirty word, and Wall Street's investment banks began to take a closer look at their operations in this field.

In the fallout from the Boesky affair, the collapse of the junk bond market caused the takeover bid flow to dry up, but the market later recovered. Indeed, in the months of 1987 up to the crash Oppenheimer had booked gains of 20 per cent on its investments.

Then came October 19, and the inevitable termination of takeovers as share prices collapsed. Interestingly, the Oppenheimer executives note that arbs had in the previous few days been selling out of positions anyway, worried by a House ways and means committee proposal limiting tax deductions on debt taken out to finance takeovers. This selling, they suggested, was an immediate short-term reason for the crash.

In any event, the risk arbitrage business was facing extinction yet again – Mr Rosenfeld admitted that for a few hours on October 19 he thought the game was up. Oppenheimer ended the year down 11 per cent overall on its investments (it does not disclose actual profit or loss figures from risk arbitrage).

But the gloom of late October has now turned to optimism. Mr O'Donnell estimated that the amount of money available for investment in risk arbitrage had fallen from $15bn to $5bn, while some of the institutions who had been playing the game for their own account had withdrawn.

The arbs, too, are finding plenty of willing sellers of stocks. With the supply and demand balance changed, profit margins have doubled or tripled in the last 90 days, said Mr O'Donnell. "We are in the same position as Chrysler if it had been told that GM and Ford had gone out of business," he added.

The average rate of return for a deal with little risk has risen from 20-25 per cent to 30-35 per cent, figures which the Oppenheimer executives were hoping would tempt Europeans to invest in the company's arbitrage funds. Oppenheimer has about 70 European clients who have invested $65m out of a total of "several hundred million dollars."

It will be a month or so before Oppenheimer knows how many European institutions will join the "sophisticated investors" for whom Oppenheimer has been working over the past 14 years. Widows and orphans need not apply.

EUROPE

Fresh worries over dollar cast a shadow on bourses

CAUTION took the upper hand in Europe yesterday as the dollar edged lower and profit-taking spread after the two-day rally. There was no clear trend to trading, although markets that were closed on Wednesday all ended higher.

FRANKFURT managed slight gains in the indices despite renewed uncertainty over the dollar, which was fixed slightly lower at DM1.6408 after DM1.6460 the previous day.

The Commerzbank index at midsession showed a 10.4 rise to 1,306.8 and the FAZ index posted a closing gain of 2.77 to 425.90.

With an absence of foreign investors – attributed partly to caution over next week's US trade figures – the international favourites fell back.

In cars, Daimler was DM9.50 lower at DM580.50, VW shed DM7.50 to DM213.50 and BMW ended DM3.50 easier at DM463.50.

Siemens was down DM7.90 at DM361.10. But Nixdorf edged up DM1.50 to DM583.

Chemicals ended lower as Bayer lost DM3.90 to DM264.10 and BASF shed DM251.50.

In mixed financials, Deutsche Bank eased DM2 to DM407 but Insurer Allianz put on DM7 to DM1,182.

Bonds ended little changed amid the uncertainty over the dollar. The Bundesbank's decision to lower its rediscount quotas from February 1, reducing the amount banks can borrow through its discount facility, came too late to affect trade. The Bundesbank bought DM16.8m worth of paper after buying DM144.4m on Wednesday.

PARIS also demonstrated its fragility by falling back on renewed nervousness about the dollar in very thin trading. Profit-taking left the CAC General index 1.2 lower at 285.5.

The decline was almost across the board, although construction stock Bouygues managed a FFr4 to FFr924 against the trend.

Among blue chip losses, Peugeot was off FFr9 at FFr936, Thomson-CSF shed FFr3 to FFr144, Galeries Lafayette lost FFr50 to FFr850 and food stock BSN fell back FFr55 to FFr4,375.

London

THE UK equity market remained relatively confident depite the renewed decline in the dollar and a lower opening on Wall Street.

After gaining 15 points at mid-session, the FT-SE 100 index fell back to close up just 0.1 points at 1,787.2 in thin trading.

Market analysts remained optimistic about the outlook for the year ahead.

Options on the shares of glassmaker St Gobain and rubber company Michelin are to be added to the options market by the end of the month, taking the total of share options traded to eight.

ZURICH was undermined by the lower dollar and Wall Street's loss of sparkle. In very quiet trading, the Credit Suisse stock index shed 3 points to 426.3.

Banks joined the decline, with Union Bank losing SFr50 to SFr3,125 and Credit Suisse off SFr40 at SFr2,500.

AMSTERDAM edged lower in moderately active trade with the CBS all-share index ending 0.30 down at 71.2.

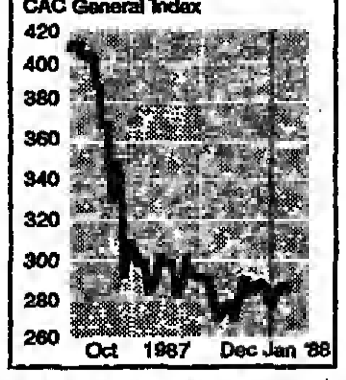
The Dutch National Bank's ¼ percentage point cut in leading interest rates came too late for the bourse.

Among the internationals, KLM was off 70 cents at Fl 30.60 and Philips steady at Fl 27.40. Akzo added Fl 2.30 to Fl 92.30 after saying it expected this year's profits to be steady.

Grocery chain Ahold climbed Fl 1 to Fl 66.50 after resuming trading following news it was buying 80 per cent of First National Supermarkets.

MILAN picked up in heavier turnover after the one-day Epiphany holiday, catching up with advances elsewhere in Europe. Fiat was a strong performer, adding L195 to L8,605, while insurers also did well

Paris
CAC General Index



BRUSSELS ended little changed in quiet, cautious trading. Reserve was again actively traded, however, adding BFr150 to BFr2,700 on 83,000 shares.

MADRID moved up confidently, with the general index closing 3.45 higher at 239.22. Banks were steady to firmer, and market leader Telefonica put on 2.75 percentage points to 175.25 per cent of nominal market value.

STOCKHOLM likewise advanced in active trading. Forestry shares made a good recovery, with SCA B-free shares adding SKr10 to SKr270.

OSLO saw some profit-taking which left prices mixed. Norsk Hydro shed NKr1 to NKr157.50. **HELSINKI** edged higher in a slow session.

ASIA

Nikkei ends steady after day of erratic trading

Tokyo

IN A continuation of Wednesday's strong advance, the market got off to a firm start, with buying centred on high-technology stocks. By mid-morning the closely monitored market barometer was up 188, but share prices fell back to close almost unchanged after moving erratically, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei stock average of 225 select issues, which posted its second biggest single-day rise on Wednesday, closed only 1.63 higher at 22,792.13. Volume totalled 999m shares compared with Wednesday's 983m shares. Advances led declines 466 to 444, with 100 issues unchanged.

However, profit-taking pressure gathered steam towards the morning's close and buying interest shifted to linear motor car-related issues and commodity market-sensitive stocks. The Nikkei average was down 120 at the beginning of afternoon trading but late buying helped it rebound nearer the close.

Linear motor car-related issues accounted for three out of the 10 most active stocks.

Sumitomo Heavy Industries, engaged in superconductor research, topped the active list with 63.28m shares traded and closed Y11 higher at Y520 after rising Y31 at one stage.

Kobe Steel, the second busiest issue with 61.14m shares traded, jumped Y32 to Y308, while Nippon Light Metal, with 44.82m shares, gained Y34 to Y563.

Among commodity market-sensitive stocks, Sumitomo Chemical, third most active with 60.55m shares traded, surged Y61 to Y969, helped by a plan to develop an anti-AIDS drug and the recovering chemical product market. Ube Industries added Y52 to Y2,130 and Teijin Y43 to Y798.

High-technology stocks eased amid profit-taking. Hitachi shed Y30 to Y1,300 and NEC Y30 to Y2,130. NTT finished Y40,000 lower at Y2.26m.

Buying interest in financial issues faded and only major securities houses enjoyed significant gains, with Nomura Securities up Y130 to Y3,090.

Bond prices eased, depressed by the dollar's continued advance against the yen. Dealers were also awaiting US trade figures for November, expected on January 15.

The yield on the benchmark 5 per cent government bond, maturing in December 1997, ended at 4.580 per cent, up from 4.510 per cent at Wednesday's close.

Osaka Securities Exchange (OSE) prices closed higher for the third consecutive trading day. The 250-issue stock average ended 153.37 higher at 22,992.35, on an estimated volume of 148m shares, up 19m shares from Wednesday.

Hong Kong

PROFIT-taking in the wake of a two-day rally pulled prices down across the market except for blue chip utilities which posted moderate gains. The Hang Seng index closed at 2,452.52, down 10.5.

Despite the losses, foreign funds showed no inclination to reverse their return to buying.

Among utilities, Hong Kong Telephone advanced 40 cents to HK$14. However, properties slipped, with Hong Kong Land dropping 25 cents to HK$7.70.

Singapore

AS elsewhere, there was early profit-taking but prices survived to end higher for the fifth successive day. The Straits Times industrial index closed at 911.49, up 5.45.

Australia

TRADING was quiet with profit-taking in industrials after the two-day rally balanced by gains in some blue chips. At the close, the All-Ordinaries index stood at 1,316.2, down 5.7, compared with a day's low of 1,315.4.

Largest falls were among base metal mines, echoed less strongly by golds. MIM slipped 18 cents to A$1.90.

SOUTH AFRICA

GOLD stocks finally caught up with this week's rallies in other sectors, helped by a rise in bullion price. The composite index climbed 30 points to 1,890.

Diamon stock De Beers led, amid market approval of the CSO's 20 per cent sales increase for 1987. It put on R1.25 to reach R32.75, a 12 per cent rise over two days.

Vaal Reefs, a leader among gold stocks, gained R10 to R357, while Southvaal added R5.50 to R162. In mixed mining houses, Gencor stepped up R1 to R50.50 but Anglo-American shed 75 cents to R55.75.

Industrials mostly continued rising, with Anglo-American Industrial rising R1 to R47 and Messina adding 25 cents to R12.75. But Barlow Rand slipped 50 cents to R21.50 and South African Breweries and Sasol stayed steady at R18 and R8.40, respectively.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JANUARY 7 1988					WEDNESDAY JANUARY 6 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (93)	101.92	−0.7	83.21	96.09	4.67	102.60	84.27	96.80	180.81	85.36	103.96
Austria (16)	94.83	+0.4	77.42	80.84	2.59	94.42	77.55	80.94	102.87	85.53	98.46
Belgium (48)	104.37	+1.5	85.21	88.67	5.34	102.82	84.46	87.73	134.89	94.63	97.19
Canada (127)	115.74	+0.3	94.49	107.86	2.88	115.42	94.80	107.73	141.78	98.15	104.45
Denmark (38)	114.02	+1.0	93.08	97.66	3.03	112.91	92.74	97.48	124.83	98.18	102.08
Finland (23)	109.61	+0.7	89.48	92.47	1.61	108.80	89.36	92.15	–	–	–
France (124)	84.95	−0.3	69.35	73.82	4.01	85.24	70.01	74.58	121.82	77.39	101.97
West Germany (94)	74.66	+1.4	60.95	63.60	2.93	73.63	60.48	63.14	104.93	68.91	97.54
Hong Kong (46)	94.04	−0.3	76.77	93.85	5.60	94.27	77.43	94.16	158.68	73.92	102.07
Ireland (14)	108.76	+0.1	88.79	94.56	4.80	108.61	89.21	95.11	160.22	93.50	103.32
Italy (94)	77.71	+2.8	63.44	69.99	2.73	75.59	62.09	68.39	112.11	72.04	97.16
Japan (457)	141.19	+0.9	115.26	114.68	0.61	139.97	114.97	114.75	161.28	100.00	101.79
Malaysia (36)	119.49	+1.5	97.55	116.45	3.20	117.73	96.70	114.89	193.64	93.76	99.81
Mexico (14)	97.25	−3.3	79.40	238.71	1.49	100.52	82.56	247.83	422.59	97.25	113.69
Netherland (37)	101.19	+0.2	82.61	85.05	5.29	100.95	82.92	85.38	131.41	87.70	100.81
New Zealand (24)	75.80	−0.3	61.88	62.40	5.27	76.06	62.48	62.62	138.99	73.39	100.51
Norway (24)	111.19	+1.3	90.77	95.49	2.86	109.73	90.13	95.13	185.01	95.51	101.92
Singapore (26)	106.74	+0.1	87.14	100.02	2.42	106.64	87.59	99.96	174.28	81.21	103.22
South Africa (61)	138.74	+1.5	113.27	94.79	4.50	136.66	112.25	93.37	198.09	100.00	105.62
Spain (43)	134.00	+1.1	109.40	113.50	3.71	132.54	108.87	111.51	168.81	100.00	104.47
Sweden (34)	102.64	+3.5	83.80	90.11	2.54	99.13	81.43	87.54	136.64	88.50	98.73
Switzerland (53)	82.08	−0.4	67.01	68.06	2.44	82.37	67.66	68.74	111.11	73.65	101.41
United Kingdom (331)	133.63	+0.6	109.09	109.09	4.27	132.84	109.11	109.11	162.87	99.65	103.15
USA (589)	106.26	+0.8	86.75	106.26	3.48	105.42	86.59	105.42	137.42	91.21	106.51
Europe (973)	104.39	+0.8	85.22	87.65	3.87	103.56	85.06	87.44	130.02	92.25	100.83
Pacific Basin (682)	137.82	+0.8	112.51	113.00	0.84	136.72	112.30	113.10	158.77	100.00	101.87
Euro–Pacific (1655)	124.49	+0.8	101.63	102.85	1.86	123.50	101.44	102.82	143.65	100.00	101.46
North America (716)	106.77	+0.8	87.16	106.37	3.45	105.95	87.03	105.57	137.55	91.68	106.40
Europe Ex. UK (642)	86.26	+1.0	70.43	74.14	3.49	85.41	70.16	73.78	111.97	78.89	99.54
Pacific Ex. Japan (225)	97.17	−0.4	79.33	92.53	4.85	97.56	80.14	92.76	164.03	82.92	102.58
World Ex. US (1857)	124.33	+0.8	101.50	103.05	1.93	123.36	101.32	103.01	143.38	100.00	101.62
World Ex. UK (2115)	115.72	+0.8	94.47	103.59	2.26	114.78	94.28	103.24	138.82	100.00	103.58
World Ex. So. Af. (2385)	117.17	+0.8	95.65	104.14	2.45	116.25	95.49	103.84	139.47	100.00	103.53
World Ex. Japan (1989)	105.88	+0.7	86.44	99.11	3.66	105.10	86.32	98.58	134.22	92.98	104.37
The World Index (2446)	117.31	+0.8	95.77	104.11	2.47	116.38	95.60	103.79	139.73	100.00	103.54

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ index), 90.791 (Pound Sterling) and 94.94 (Local).

هكذا في الأصل